ANNUAL REPORT AND ACCOUNTS 2010

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3w power HOLDINGS S.A. | AEG POWER SOLUTIONS

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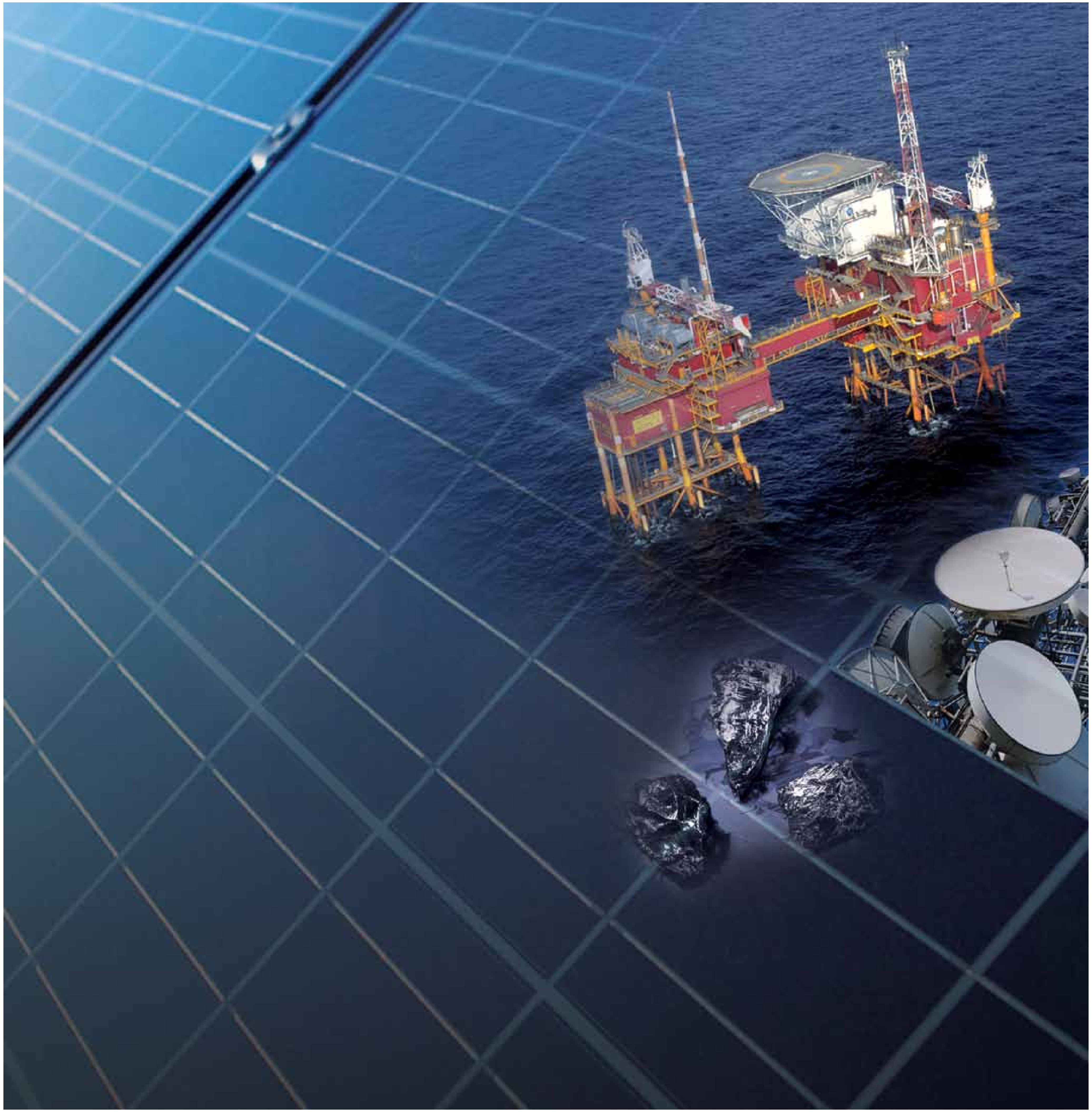

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ROLAND BERGER

CHAIRMAN'S LETTER

DEAR SHAREHOLDERS

The year 2010 turned out to be a particularly challenging year of transition for AEG Power Solutions, with disappointing financial results and a declining share price. The Board of Directors reacted swiftly to these developments and implemented the necessary changes to position AEG Power Solutions for a successful rebound in 2011 and beyond.

In 2010, the former Guernsey-based Germany 1 Acquisition Ltd, which existed only as a holding company for AEG Power Solutions Group, was transferred to the Luxembourg-registered 3W Power Holdings, S.A. 3W Power was and continues to be listed on the NYSE Euronext in Amsterdam.

In May, a management transition led to the appointment of Dr. Horst J. Kayser as Chief Executive Officer, following the retirements of Bruce A. Brock in August and Chief Strategy Officer Robert R. Huljak in December. The Board of Directors is deeply grateful to Bruce Brock and Bob Huljak for their dedication and successes. For over five years, they steered AEG Power Solutions into a successful global power electronics company. The Board appreciates their ongoing service as non-executive Directors and will continue to draw on their extensive network and experience in the power electronics industry.

Global economic and financial crises resulted in weak order intake during 2009, leading to considerable declines in sales in power electronics and especially solutions for the polysilicon manufacturing industry in 2010. This led to significantly lower profitability for the year. Under the leadership of Dr Horst J. Kayser, a new management team announced Agenda 2012 - a comprehensive change program designed to return AEG Power Solutions to dynamic, profitable growth. Part of this strategy was to strengthen the renewable business through the acquisition of the solar monitoring and control specialist skytron energies.

In support of Agenda 2012 objectives, including restructuring and investment activities, the management team shored up the company's capital base through the successful issuance of a 100 million euro five-year high-yield bond. A core executive team was formed through several internal and external appointments. The team members have broad international management experience and proven track records in the power electronics industry. The new recruits include Gerhard Henschel as Chief Financial Officer, effective March 2011.

The profile of 3W Power/AEG Power Solutions as an attractive small-cap in the German renewable energy sector was raised significantly: many road shows and investor presentations were delivered to both equity and debt investors and 3W Power Holdings S.A. was listed on the Prime Standard of the Frankfurt Stock Exchange.

ORDERS	371.1	€ MILLION +76% [1]
SALES	306.0	€ MILLION -25% [1]
GROSS PROFIT	74.0	€ MILLION -49% [1]
NORMALIZED EBITDA	8.0 [2]	€ MILLION
ADJUSTED EBIT	(0.5) [2]	
ADJUSTED EPS	(0.1) [3]	IN EURO PER SHARE
OPERATING CASHFLOW	(21.6)	€ MILLION
CASH	122.6	€ MILLION

[1] The % change has been computed by reference to 2009 pro-forma figures which incorporate the results of AEG PS for the whole of 2009 instead of from the date of acquisition on September 10, 2009. The basis of preparation of the pro-forma is given in the footnotes in Appendix I.

[2] Normalized EBITDA and adjusted EBIT have been calculated based on the reported EBIT (loss from operating activities) adjusted for the impact of one-time items shown in the Appendix II. Adjusted EBIT also excludes the effects of the normal (i.e non-accelerated) amortization of intangibles on acquisition of AEG PS 3W Power.

[3] Adjusted EPS is calculated from the reported net income attributable to shareholders adjusted for the estimated after tax impact of the one-time items shown in the Directors' report, the effects of normal amortization of tangibles on acquisition and the effects from the change in fair value of warrants.

All necessary initiatives were fully defined by the end of the year and order momentum picked up. With stronger markets and immediate implementation of the Agenda 2012 plan, AEG Power Solutions is now positioned for a dynamic rebound.

Management anticipates sales above 500 million euro with an EBITDA margin on sales of 13-15% targeted for 2012.

On behalf of the Board of Directors I would like to thank all AEG Power Solutions employees for their dedication and effort during this period of transition and express our full confidence that they will lead the company back to a dynamic, profitable growth path in 2011.

Roland Berger

ABOUT US

PREMIUM POWER SOLUTIONS THAT DELIVER INNOVATION AND PREMIUM RELIABILITY

AEG Power Solutions helps customers worldwide meet their power challenges with innovative, world-class power solutions. Backed by more than a century of innovation and customer service, AEG Power Solutions offers a full-range of reliable, cost effective solutions, from power conversion modules and high reliability UPS systems to industrial chargers and DC systems.

With operations in 16 countries worldwide, AEG Power Solutions designs, manufactures, sells and services AC and DC power solutions for a wide variety of industrial and communications applications and for the renewable energy sector. The company's products, solutions and services are renowned for their reliability, especially in extremely challenging industrial and climatic environments.

Consolidating the portfolios previously sold under the AEG, Saft Power Systems and Harmer & Simmons brands, AEG Power Solutions delivers value to customers by protecting mission-critical assets, ensuring business continuity and protecting people's safety. The company provides the power solutions of choice for such demanding applications as off-shore oil and gas platforms, non-stop industrial processes, nuclear power plants, renewable energy generation, rail transportation, telecoms and data centers.

▶ MORE THAN A CENTURY OF ENGINEERING EXCELLENCE

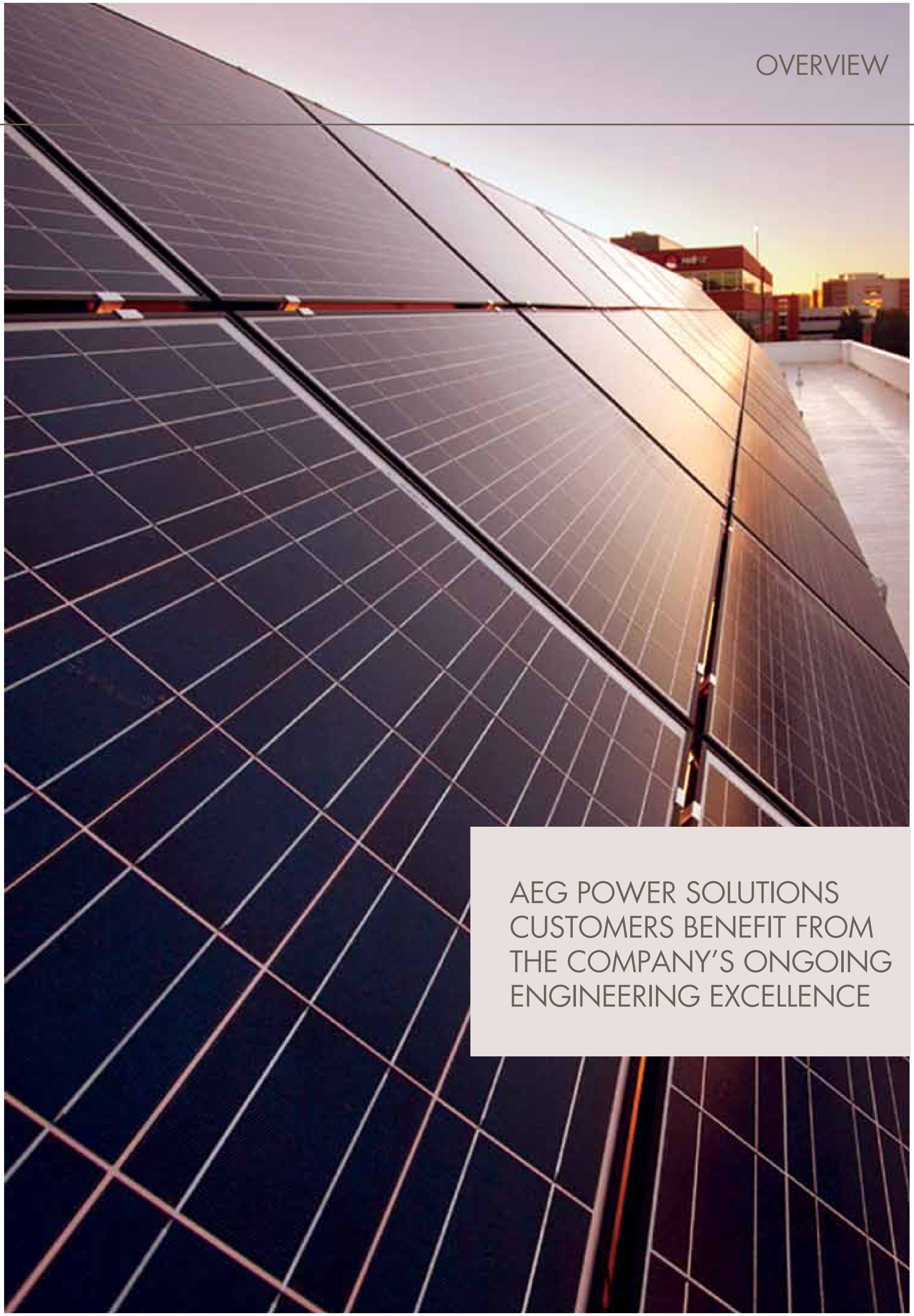
Since the creation of AEG in 1887, AEG Power Solutions has demonstrated its ability to set the industry standard for engineering. From the introduction of the world's first single-phase and three-phase thyristor AC converters during the 1960s through the launch of the revolutionary Protect family of modular, redundant and scalable rectifier systems for industrial applications in 2008, AEG Power Solutions engineers have consistently brought innovative power solutions to market.

Today, AEG Power Solutions customers continue to benefit from the company's ongoing engineering excellence through such groundbreaking products as the innovative Thyrobox PI power supply for polysilicon production lines and the remarkably efficient Protect PV.250 Inverter for solar generating plants.

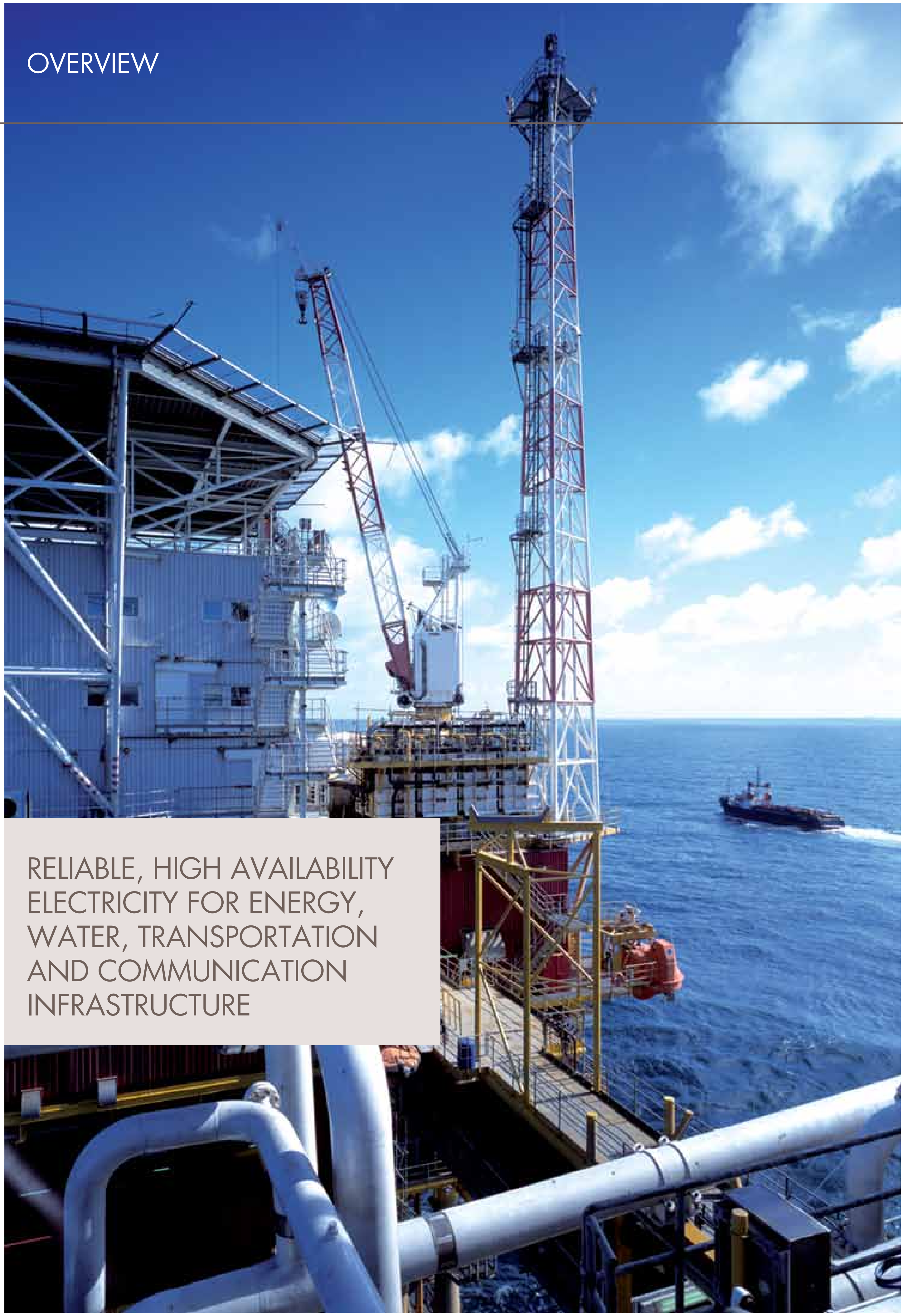
▶ A WORLD OF SOLUTIONS

AEG Power Solutions activities consist of two complementary operating segments:

OVERVIEW



AEG POWER SOLUTIONS CUSTOMERS BENEFIT FROM THE COMPANY'S ONGOING ENGINEERING EXCELLENCE



RELIABLE, HIGH AVAILABILITY ELECTRICITY FOR ENERGY, WATER, TRANSPORTATION AND COMMUNICATION INFRASTRUCTURE

OVERVIEW

Renewable Energy Solutions and Energy Efficiency Solutions. Thanks to its distinctive expertise, bridging both AC and DC power technologies and spanning the worlds of both conventional and renewable energy, the company is uniquely positioned to benefit long-term from emerging demand for intelligent micro-energy grids.

▶ RENEWABLE ENERGY SOLUTIONS

AEG Power Solutions solar inverters and turnkey solar systems enable customers to optimise the output of photovoltaic generating facilities while reducing operating costs. Customers rely on the company's solar inverters to transform the DC power generated by photovoltaic cell arrays into AC power for both grid-connected and off-grid systems. AEG Power Solutions turnkey solar systems offer a comprehensive, one-stop photovoltaic power solution for commercial facilities, including system design, installation and support. The company's skytron subsidiary, acquired in 2010, greatly reinforced AEG Power Solutions' resources and know-how in this domain thanks to its recognized expertise in metering, monitoring and supervision solutions for megawatt utility-scale photovoltaic power plants.

A long-established supplier of power controllers for industrial applications, AEG Power Solutions now ranks among the world leaders in supplying such control systems for polysilicon production lines. Production of polysilicon, which has mushroomed in recent years, is used primarily for photovoltaic cells. AEG Power Solutions power controllers are also widely used in all industrial processes where temperature control is critical, such as float glass, arc furnaces process and chemical industries.

▶ ENERGY EFFICIENCY SOLUTIONS

AEG Power Solutions' Energy Management Solutions business unit serves a broad customer base with AC and DC back-up power systems, including a comprehensive range of uninterruptible power supply (UPS) products. Customized to each customer's particular application requirements, these systems and solutions are designed for integration into large, dedicated power systems for installations such as oil and gas platforms, electricity generating plants and distribution networks, nuclear power plants and rail transport systems.

In the telecommunications sector, AEG Power Solutions provides back-up DC power solutions for network switching equipment and field sites, especially for cellular networks. The company's **Eco**PKT Hybrid Power Solutions, for example, enable network operators to lower costs and reduce their carbon footprint by combining renewable energy sources with back-up batteries. Designed into comprehensive network solutions provided by telecom equipment suppliers, the company's back-up DC power systems also enable network operators to expand the capacity of their networks to accommodate skyrocketing wireless Internet and data traffic. The same rugged reliability explains why designers of power systems for such critical IT installations as data centers likewise rely on back-up power solutions from AEG Power Solutions.

Leveraging its expertise in reliable power systems designed to function in extreme environments, AEG Power Solutions serves the growing need for power solutions tailored to the needs of energy-efficient LED lighting. Suppliers of outdoor lighting systems are increasingly turning to AEG Power Solutions for the drivers that are critical to achieving optimum LED lighting performance and reliability.

▶ GLOBAL SERVICE & SUPPORT

With 20 field service centers and over 50 qualified expert partners, AEG Power Solutions provides a full range of service and support options to customers worldwide. The company's vaunted experience and engineering expertise enable customers to benefit from a complete service portfolio covering all project phases – from consulting and system design to applications and support.

Strategically positioned across the globe, AEG Power Solutions Field Service Engineers provide installation, commissioning and maintenance services, ensuring lifetime support of the entire system solution for the customer – directly from the manufacturer. ■

3W POWER HOLDINGS & AEG POWER SOLUTIONS

3W Power Holdings is a holding company registered in Luxembourg. Its sole assets consist of its ownership of AEG Power Solutions B.V. and its subsidiaries, the industrial and commercial companies that conduct business worldwide under the AEG Power Solutions brand. Shares in 3W Power Holdings are traded on the NYSE Euronext exchange in Amsterdam and the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB).

OPERATING REVIEW

A YEAR OF TRANSFORMATION & INNOVATION

JANUARY

AEG Power Solutions announces its strategy for North America while introducing turnkey solar solutions and power controller systems.

FEBRUARY

To support business development and clarify company identity, Germany 1, the holding company of AEG Power Solutions, announces its intention to change its name to 3W Power Holdings SA and move its country of residence from the Isle of Guernsey to Luxembourg.

MARCH

AEG Power Solutions reinforces its position as a solutions provider for megawatt utility-scale photovoltaic power plants by acquiring a majority stake in Berlin-based skytron energy, a provider of monitoring and supervision solutions. The strategic partnership constitutes a win-win business combination for all involved.

The Combination Architecture standby power solution, unveiled at Cebit, in Hanover, Germany, opens new opportunities for alternative and renewable energy supply and storage for mission-critical facilities.

APRIL

AEG Power Solutions sets a new industry benchmark for polysilicon power supplies with the launch of the innovative Thyrobox M, the most compact and reliable power solution on the market, at the Photon Photovoltaic Technology Show in Stuttgart, Germany

Installation of the AEG Power Solutions rooftop solar system at its site in Plano, Texas – featuring 234 solar modules and 6 solar inverters – It is the first large installation in the US and enables the company to demonstrate its capabilities.

Launch of the first two models in a new generation of DC power systems, built with unique Eco^{pxr} architecture, which enables telecom network operators to reduce energy consumption.

MAY

Dr. Horst J. Kayser joins AEG Power Solutions to succeed Bruce A. Brock as Chief Executive Officer on August 1. His background includes key roles with Siemens AG and Kuka AG.

Santa Clara, Calif.-based outdoor lighting specialist Green Machine Light Engine selects AEG Power Solutions for its innovative, custom-designed LED lighting power supplies.

JUNE

At the annual meeting of the AEG Power Solutions holding company, 3W Power Holdings Ltd, shareholders approve the 2009 annual report and financial statements, renew the directorships of three board members and elect Dr. Mark Wössner as a new director.

JULY

A joint report by the Fraunhofer Institute for Solar Energy Systems (ISE) and Bureau Veritas shows that AEG Power Solutions' Protect PV.250 solar inverter offers remarkable efficiency. Early orders total 40 MW.

AUGUST

Dr Horst J. Kayser is appointed to the board of 3W Power Holdings and assumes his duties as Chief Executive Officer of AEG Power Solutions.

A leading European customer selects AEG Power Solutions to supply complete electrical systems for 13 photovoltaic power plants with a combined generating capacity of 260 MW. The contract, which includes Protect PV.250 and PV.500 solar Inverters, monitoring systems and other equipment, confirms the company's growing success in the renewable energy field.

A framework agreement for customised battery chargers for trains reinforces the long-standing relationship between Bombardier Transportation and AEG Power Solutions.

SEPTEMBER

Marking a technological breakthrough in polysilicon production efficiency, AEG Power Solutions introduces its new Thyrobox PI power system at the 25th European Photovoltaic Solar Energy Conference and Exhibition.

The AEG Power Solutions North America team completes the rooftop solar installation for North Carolina State University's 15,000 square foot Future Renewable Electric Energy Delivery and Management (FREEDM) Systems Center on its Centennial Campus.

OCTOBER

A strategic partnership between AEG Power Solutions and Electrotherm of India will develop solar energy installations in India, targeting at least 100 MW within three years.

NOVEMBER

As part of its global branding initiative, AEG Power Solutions consolidates the former Harmer & Simmons DC telecom and embedded power supply activities under the AEG Power Solutions brand.

DECEMBER

Following successful placement of a100 million bond to secure long-term financing, shares of the AEG Power Solutions holding company, 3W Power Holdings S.A., are listed on the Regulated Market (Prime Standard) of the Frankfurt stock exchange.

Gerhard Henschel is named Chief Financial Officer of 3W Power Holdings S.A. and of AEG Power Solutions, effective March 1, 2011. Mr. Henschel will also become executive director of 3W Power and AEG Power Solutions. Gladwyn De Vidts and Dr. Peter Wallmeier are promoted to the positions of Chief Strategic Officer and Chief Technical Officer, respectively.

CHIEF EXECUTIVE OFFICER'S REVIEW

DR. HORST J. KAYSER, **CEO**

DEAR SHAREHOLDERS

On the basis of the Agenda 2012 plan, AEG Power Solutions is positioned to rebound to a profitable growth path. In 2010, our highly competent global team set the strategic direction and laid the operational groundwork needed to reach our 2012 targets: more than 500 million euro in sales with 13-15% EBITDA. In Energy Efficiency Solutions (EES), our base business for secure industrial and communications power supply solutions, we are attaining stable profitability and cash flow on the basis of moderate growth. In Renewable Energy Solutions (RES), which includes our Power Controllers (POC) and Solar Solutions (SOLAR) business, we are enjoying very strong order intake momentum with prospects for continuously increasing profitability.

The Board of Directors of 3W Power Holdings, S.A., Luxembourg appointed me as CEO of 3W Power and AEG Power Solutions, B.V., Zwanenburg as of 1 August 2010. My predecessor, Bruce A. Brock, retired as CEO on July 31. His long-standing technology strategy partner, Robert R. Huljak, retired as Chief Strategy Officer in December 2010. I am proud to have been entrusted with the responsibility to further revitalize an industrial business in the continuity of the AEG heritage. I am also aware of the acute challenges of the business downturn.

Over five years, Bruce Brock and Bob Huljak built AEG Power Solutions into a globally integrated leader in industrial power electronics with strong positions in market segments such as oil & gas, power generation and distribution, transportation, telecommunications and data/IT. With a thriving power controller business and an explosive start to the solar solutions business, they placed AEG Power Solutions on the renewable energy industry map. I am happy to build on to their achievements and to be able to draw upon their advice in their capacity as members of the Board of Directors of 3W Power Holdings.

At the start of 2010, orders and sales significantly declined due to weak demand in power electronics markets and especially the polysilicon manufacturing industry. In August, we therefore launched the Agenda 2012 plan to define the measures necessary to return to profitable growth as quickly as possible. Initiatives were taken in the areas of strategy & growth, financial excellence, operational excellence and top team.

In the strategy & growth area, we clearly segmented the business into EES and RES. The former would be managed for profitability and cash on the basis of moderate growth while the latter would be driven towards rapid, profitable growth in power controllers and solar solutions. EES combined the company's industrial activities with uninterruptable power supplies (UPS) for industry, telecommunications and data/IT and with DC solutions and converters. By merging these strategic business units (SBU) into the single EES SBU, synergies could be realized and overhead costs will be reduced by 50% in 2011.

RES saw orders for polysilicon power controllers resume and a strong start of the solar solutions business. Order intake totalled 76.6 million euro in Q4 alone. The acquisition of skytron energies of Berlin in February 2010 also contributed favorably to solar sales within RES.

Placement of a 100 million euro corporate bond in November 2010 secured solid financing for working capital needs, rapid organic growth and necessary expenses for business realignment as well as potential acquisitions for growth in the renewable energies arena.

Financial excellence initiatives included significantly improved investor relations activities. At the outset of Agenda 2012 increased transparency and presence in the financial markets were set as a clear priority. We developed road show activity all over Western Europe, presented at many small-cap and renewable conferences and achieved our listing on the Prime Standard of the Frankfurt Stock Exchange by December. We are continuously raising the profile of the 3W Power Holdings stock to become an attractive and actively followed industrial stock of the German renewable energy sector.

The operational excellence measures in the Agenda 2012 program focus on streamlining our EES activities. This business segment will return to profitability thanks to simplification of product offerings, focussing on profitable projects, organizational changes and restructuring several operations around the world. All of the needed measures have been definitively defined and communicated to employees, their representative bodies and relevant authorities in the affected locations. Intensive communications continue during the implementation phase in H1 2011; from the outset, we have aimed at carrying out these changes in as open and collaborative a manner as possible.

Restructuring led to a number of necessary impairments, provisions and one-time charges resulting in an annual net loss from operating activities of 126.6 million euro. Adjusting for one-time charges, our year closed with a normalized EBITDA of 8.0 million euro.

A new top management team was put in place by year-end, including both internal and external appointees. Gerhard Henschel joined from MAN SE, Munich as new CFO as of March 2011. The positions of Chief Strategy Officer, Chief Operations Officer and Chief Technology Officer have been newly filled.

The new management team is fully committed to implement the Agenda 2012 plan. This means realizing clear opportunities for profitable growth by leveraging our recognized positions in power electronics markets and good, long-standing key customer relationships. We are likewise committed to benefit from our strong long-term growth prospects, especially in the renewable energy sector. The business enters 2011 with a good backlog and strong order momentum, offering good prospects for our employees, the communities we operate in and our shareholders.

Yours sincerely

Dr Horst. J. Kayser

RENEWABLE ENERGY SOLUTIONS

STRONG DEMAND FOR SOLAR ELECTRIC GENERATING CAPACITY COMBINED WITH REBOUNDING POLYSILICON MARKETS PAINT A BRIGHT OUTLOOK. IN 2010 THE BUSINESSES COMPOSING THE RENEWABLE ENERGY SOLUTIONS SEGMENT HAVE DEVELOPED IN VERY DIFFERENT WAYS. AT ONE END OF THE SOLAR POWER CHAIN, THE POWER CONTROL SYSTEMS BUSINESS HAD A CHALLENGING YEAR DUE TO THE DECREASE OF THE POLYSILICON MARKET. AT THE OTHER END THE SOLAR INVERTERS AND SOLUTIONS BOOMED AND WERE HARDLY ABLE TO FACE MARKET DEMAND.

▶ POWER CONTROL SYSTEMS

With a 6-to-18 month lag between orders and billing, revenues from the company's power controller activity suffered from weak 2009 orders, declining more than 60% year-on-year. Revenues for 2010 were especially disappointing as compared to the previous year, which reflected the very healthy level of orders booked in 2008. The weak demand in 2009 and throughout the first half of 2010 provided a clear demonstration of the volatility of world markets for the polysilicon used to make photovoltaic cells.

With overcapacity in polysilicon production facilities absorbed by mid-year, spot prices for polysilicon stabilised and orders linked to new production capacity picked up during the second half. All told, orders booked in 2010 increased 300% versus 2009. 2010 also saw renewed growth in demand from German machinery markets, another key sector for AEG Power Solutions, for both the company's power controller systems and power controller modules.

In contrast to power controller systems, delivery of power controller modules was strong throughout 2010, reflecting the broad economic recovery. The company's power controller modules revenues increased about 20% compared to 2009, with strong contributions from both of AEG Power Solutions' largest markets, Germany and China. As the market and technology leader for power controller systems for polysilicon production, AEG Power Solutions began expanding into related market segments in 2010, including power controller modules for polysilicon ingot furnaces, crystal pullers and wafer coating.

▶ 2011 OUTLOOK

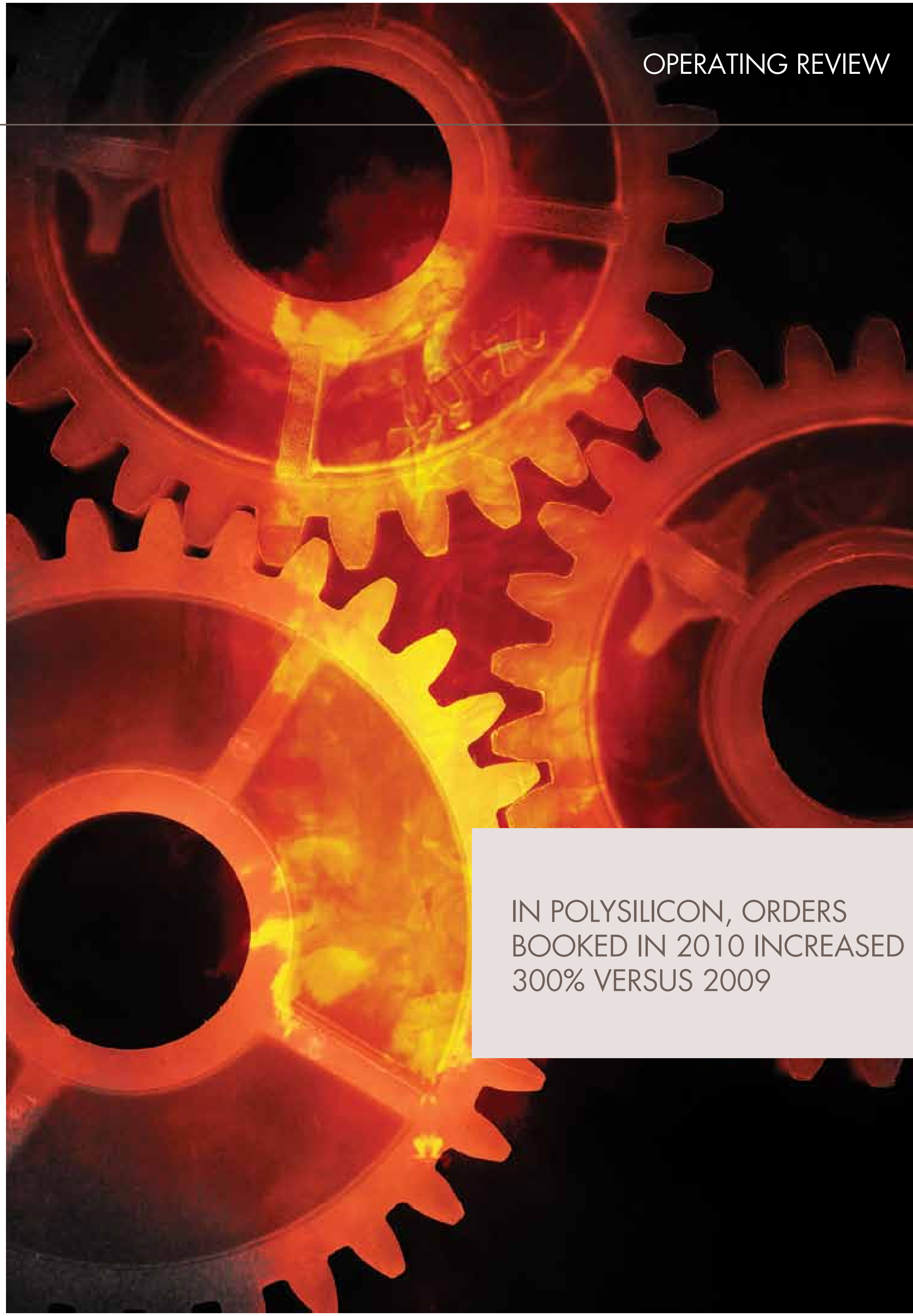
Barring unforeseen events, AEG Power Solutions expects strong demand for power controller systems for polysilicon manufacturing to continue through 2011.

THE GOLD STANDARD FOR POLYSILICON PRODUCTION

AEG Power Solutions clearly affirmed its market and technology leadership with the September 2010 introduction of the Thyrobox™ PI power controller for polycrystalline silicon deposition lines. Using proprietary technology developed by AEG Power Solutions, the Thyrobox™ PI is expected to enable polysilicon manufacturers to increase the production output of their existing polysilicon reactors by 10% or more .

To ensure an adequate supply of critical components, the company has pre-ordered components subject to shortages. Particular emphasis will be placed on strengthening sales in the U.S. and Asia.

OPERATING REVIEW



IN POLYSILICON, ORDERS BOOKED IN 2010 INCREASED 300% VERSUS 2009

OPERATING REVIEW

AEG Power Solutions will continue in 2011 to set the technical standards for power controllers. A new family of products will be launched to reinforce the company's position in the market for power controller modules. This new generation will offer touch screen displays, enhanced connectivity and plug-and-play integration into industrial machinery.

▶ SOLAR INVERTERS, SYSTEMS & SOLUTIONS

Unexpected market conditions in Europe enabled AEG Power Solutions to establish itself as a major supplier of inverters and monitoring and supervision systems for solar electrical generators in 2010. In fact, with demand far exceeding supply for most of the year, the company spent much of the year boosting production to keep up. Demand was so strong in Germany and Italy, that it was not until the final two months of the year that it was finally absorbed.

The boom market, from 7 to 16 GW between 2009 and 2010, stimulated by government efforts to bolster renewable energy generation, proved to be a blessing for AEG Power Solutions' first full year of business in the photovoltaic generating market, with revenues growing to 40 million euro from a mere 2 million euro the previous year.

The March 2010 acquisition of skytron energies, a Berlin-based expert in monitoring and supervision solutions for solar generating plants, further contributed to the company's impressive results among solar generation clients. Reinforced by skytron's resources and capabilities, AEG Power Solutions was chosen in August to supply complete electrical systems for 13 photovoltaic power plants with a combined generating capacity of 260 Megawatts by a leading Eastern European customer. The contract will be fulfilled over the course of 2011.

2010 also produced promising initial results for the company's move into turnkey solar solutions, particularly in North America. A pair of contracts established AEG Power Solutions as a player in this high-growth market sector.

▶ 2011 OUTLOOK

With the prospect of government policy changes in Germany and Italy, it remains unclear at this writing how markets for solar generating plants in these two countries are likely to evolve during 2011. Regardless, global market perspectives remain bright. According to latest information from recognized market analysts and strategic consultants such as IMS Research, the compound annual growth rate for photovoltaic generating markets will remain high for 2011 and 2012 and reach 20% over next three years. The market mix is also evolving as opportunities open in Eastern Europe, India, China and USA.

To help seise the numerous opportunities, AEG Power Solutions will introduce a range of innovative products over the course of the year, including a 500 MW inverter for larger solar farms and modular inverters to serve the North American market.

As the company continues to expand its customer base and geographic spread, AEG Power Solutions is putting high priority on markets in Asia and Eastern Europe. The company's strategic partnership with Electrotherm of India, signed in 2010, targets developing at least 100 MW of solar energy installations in India within three years.

NUMBER ONE FOR EFFICIENCY

The economic feasibility of a solar generating plant can depend on maximizing the real, usable output from the plant's solar panels. That's why customers are so enthusiastic about AEG Power Solutions' Protect PV.250 power inverter. Introduced in 2010, it is the industry's most efficient power inverter. When tested by two of Europe's most respected, independent labs, the Protect PV.250 power inverter yielded a remarkable 98.7% efficiency grade. No wonder €17 million euro of PV.250 orders were booked during its initial nine months on the market.

The company also plans to implement in India a facility dedicated to photovoltaic inverters to serve this huge growing market. AEG Power Solutions is counting on the same partnership approach to establish itself as a supplier of solar inverters, monitoring and supervision systems and turnkey solutions in China. In Eastern Europe, the company will develop its solar business directly, leveraging the widely-respected AEG Power Solutions brand. ■

THE PHOTOVOLTAIC MARKET EXPERIENCED MAJOR GROWTH IN 2010. ITS GEOGRAPHICAL MIX WILL SHIFT IN 2011

ENERGY EFFICIENCY SOLUTIONS

AEG POWER SOLUTIONS' TRADITIONAL ACTIVITIES IN BACK-UP POWER SOLUTIONS FOR INDUSTRIAL AND TELECOM SYSTEMS HAVE BEEN GROUPED IN ONE STRATEGIC BUSINESS UNIT TO STREAMLINE THE ORGANIZATION AND BENEFIT FROM SYNERGIES IN SERVING DIFFERENT VERTICAL MARKETS. THE FOCUS IS ON KEY MARKETS WHERE INNOVATION-DRIVEN POWER ELECTRONIC SOLUTIONS IN ENERGY MANAGEMENT AND EFFICIENCY MAKE A DIFFERENCE.

▶ ENERGY MANAGEMENT SOLUTIONS

Robust order intake signaled an end to the slow pace of sales that characterized 2010 for the company's back-up power activities. Grouped together in the Energy Management Solutions business unit until November 2010, these activities include AC uninterrupted power supplies (UPS) and inverters, a range of DC products, battery-based systems and compact UPS for IT applications and services. These Energy Management Solutions activities were profitable, with sales equivalent to the previous year. Despite challenging operating results, service revenue growth positively contributed to operating margins.

AEG Power Solutions' energy management business suffered from weak sales throughout much of 2010 even after capital investment levels in the company's key markets began to rebound. That's due in part to late cyclicality, because although they are critical in a wide range of industrial applications, back-up power supplies are ordered near the end of capital investment programs. The lag was most pronounced in European markets, which accounted for the largest portion of the company's business in 2010.

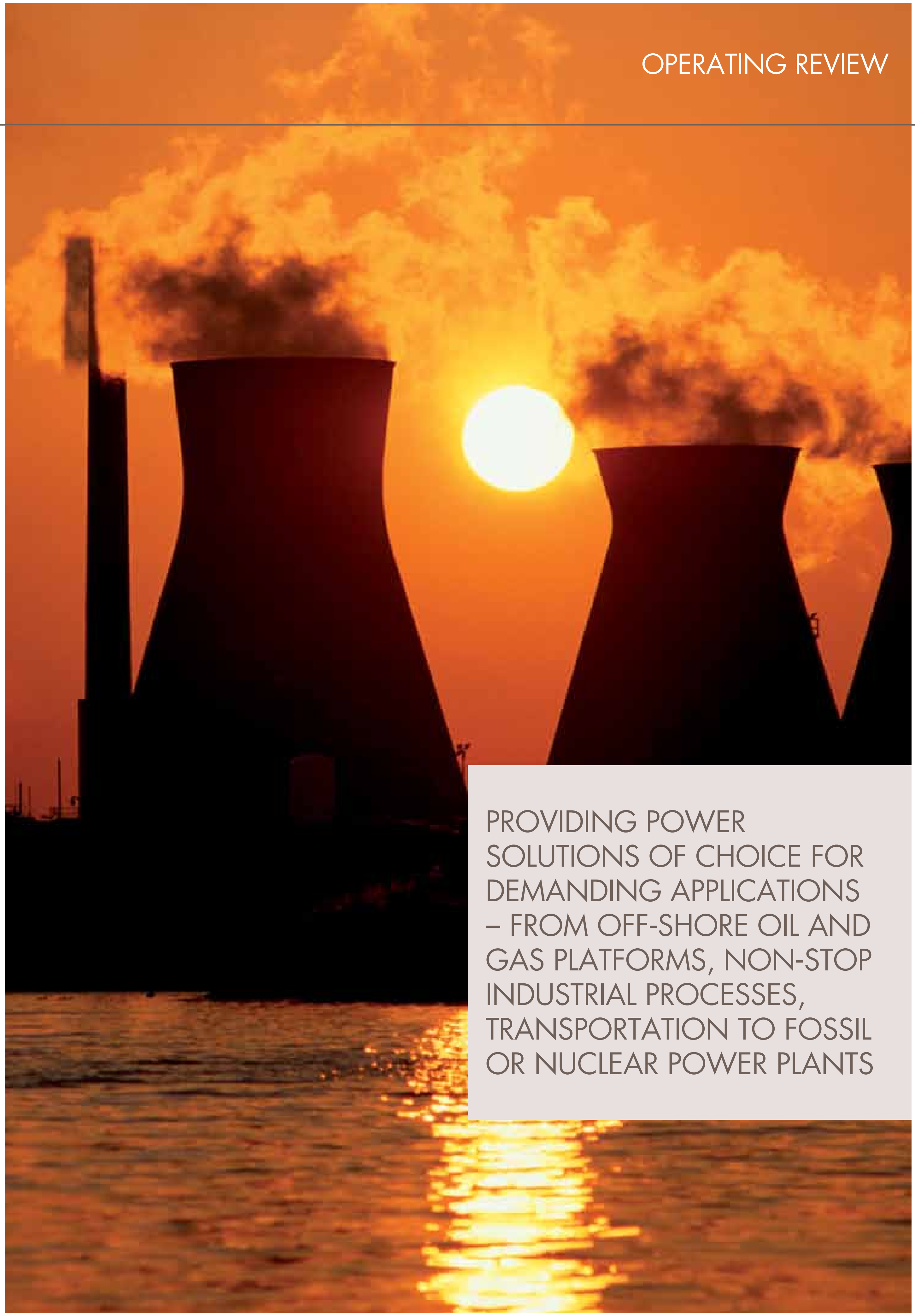
The upturn in capital investment impacted Energy Management Solutions most strongly during Q4, with orders up by 29%, compared to Q4 2009 and sales up by 4%, compared to Q4 2009. The increased order intake spanned most of the company's key vertical markets: oil and gas exploration and production, petrochemical production, conventional and nuclear power generation and distribution, IT and transportation.

Strengthening its prospects in the transport sector in 2010, AEG Power Solutions signed a framework agreement to provide customized battery chargers to Bombardier Transportation GmbH for 83 new trains. The company reinforced its product portfolio for IT applications with the launch of a modular, high efficiency UPS capable of supplying up to 1,000 KVA of back-up power. The company continued to invest in new product development.

As part of Agenda 2012, the company launched a series of initiatives to reduce costs, create a leaner management structure and focus more tightly on growth opportunities within the energy management business unit. A broad restructuring was initiated following a comprehensive operations review, including consolidated functions at headquarters to streamline operations and a reallocation of resources to field locations for a greater focus on customer and market reactivity. These measures will continue throughout 2011.

▶ 2011 OUTLOOK

Barring unforeseen events, the capital investment upturn experienced in 2010 is expected to continue during 2011. AEG Power Solutions expects a steady 3-to-6%



PROVIDING POWER SOLUTIONS OF CHOICE FOR DEMANDING APPLICATIONS – FROM OFF-SHORE OIL AND GAS PLATFORMS, NON-STOP INDUSTRIAL PROCESSES, TRANSPORTATION TO FOSSIL OR NUCLEAR POWER PLANTS growth rate in its traditional European markets, with variations depending on specific vertical market sectors. Higher growth is expected outside of Europe, particularly in China and India.

To take advantage of opportunities throughout the South China Sea area, the company is reinforcing the presence of its energy management solutions sales and service staff in Beijing and Shanghai. Expertise and resources are also being increased in Bangalore to strengthen the company's ability to respond to India's high growth potential.

In response to customer demand for ever-improved energy efficiency and power quality, AEG Power Solutions will launch a range of new AC and DC solutions in 2011, including a modular DC power product range, an AC power platform and a UPS designed specifically for IT applications.

▶ COMMUNICATIONS SOLUTIONS

The year 2010 marked a transition point for AEG Power Solutions' communications business. Traditionally focused on providing back-up power supplies for a few very large telecom equipment makers, the company has begun concentrating on a high growth market niche on the one hand while targeting smaller, tier 2 equipment makers on the other. Both initiatives showed encouraging signs of success in 2010 with a increase in orders of 10% against a backdrop of basically flat revenues versus 2009.

Among the year's key achievements was the April launch of the first two models in a new generation of hybrid power solutions combining renewable energy sources with battery storage and stand-by diesel generators. These **Eco**pxr products signal the company's determination to serve the growing need for cellular telecom stations in rural areas and regions without reliable grid connected telecom networks.

Broadening of the company's customer base progressed in 2010 as three tier 2 telecom equipment makers chose AEG Power Solutions solutions. For these and other customers, the company is focusing on the growing need among cellular operators in industrialized countries for power solutions for so-called backhaul capacity. Operators need to increase backhaul capacity to accommodate mushrooming demand for wireless Internet and data services. A range of power supply products launched by AEG Power Solutions in 2009 addresses this specific need.

▶ LED LIGHTING

Leveraging its long experience and expertise designing and supplying reliable telecom power supplies for use in hostile environments, AEG Power Supplies profited handsomely from growing demand for drivers among designers of outdoor LED lighting systems in 2010. Launched at the end of 2009, LED business orders accounted for 11% of the industrial converters business in 2010.

The company took advantage of strong demand for LED lighting public systems in the U.S. by signing a key contract with Santa Clara, Calif.-based outdoor lighting specialist Green Machine Light Engine in May 2010. AEG Power Solutions drivers were also selected for systems provided by two majors US and European leaders for architectural and street lighting applications.

▶ 2011 OUTLOOK

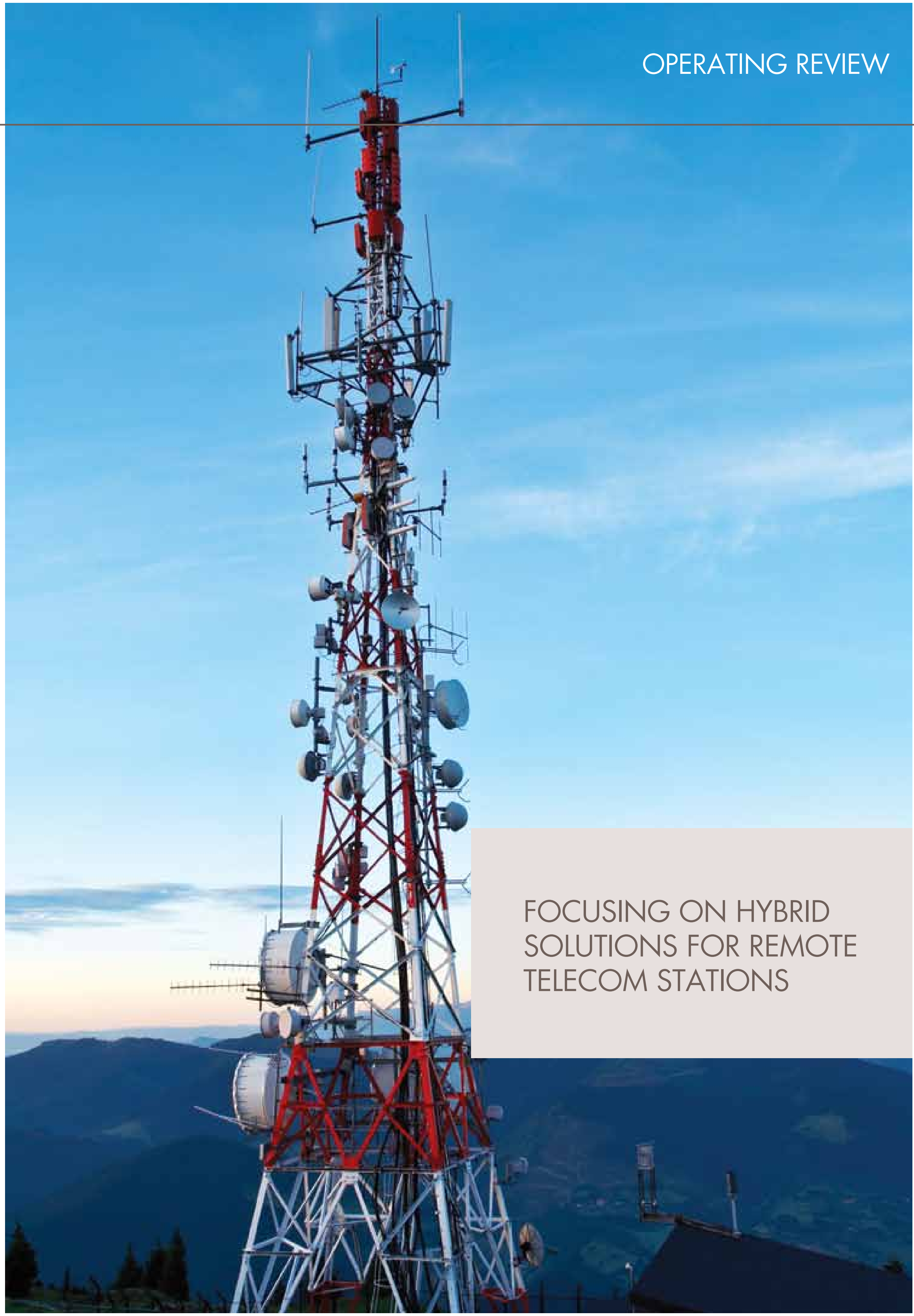
The company will continue to expand its customer base of telecom equipment suppliers for back-up power supplies, aiming to match the projected 3.5% annual growth in this market. At the same time, AEG Power Solutions will aim for higher growth by focusing on its range of **Eco**pxr hybrid solutions for remote wireless base stations, both in terms of increased sales and by continuing to expand product range and capabilities. In the LED lighting driver sector, AEG Power Solutions will be seeking continued revenue growth through new partnerships with large lighting producers, especially in the U.S. and China. Compound annual growth of 27% from 2011 through 2015 is projected in the market for LED lighting drivers, according to Strategies Unlimited. ■

Ecopxr HYBRID POWER SOLUTIONS: GOOD FOR BUSINESS & THE ENVIRONMENT

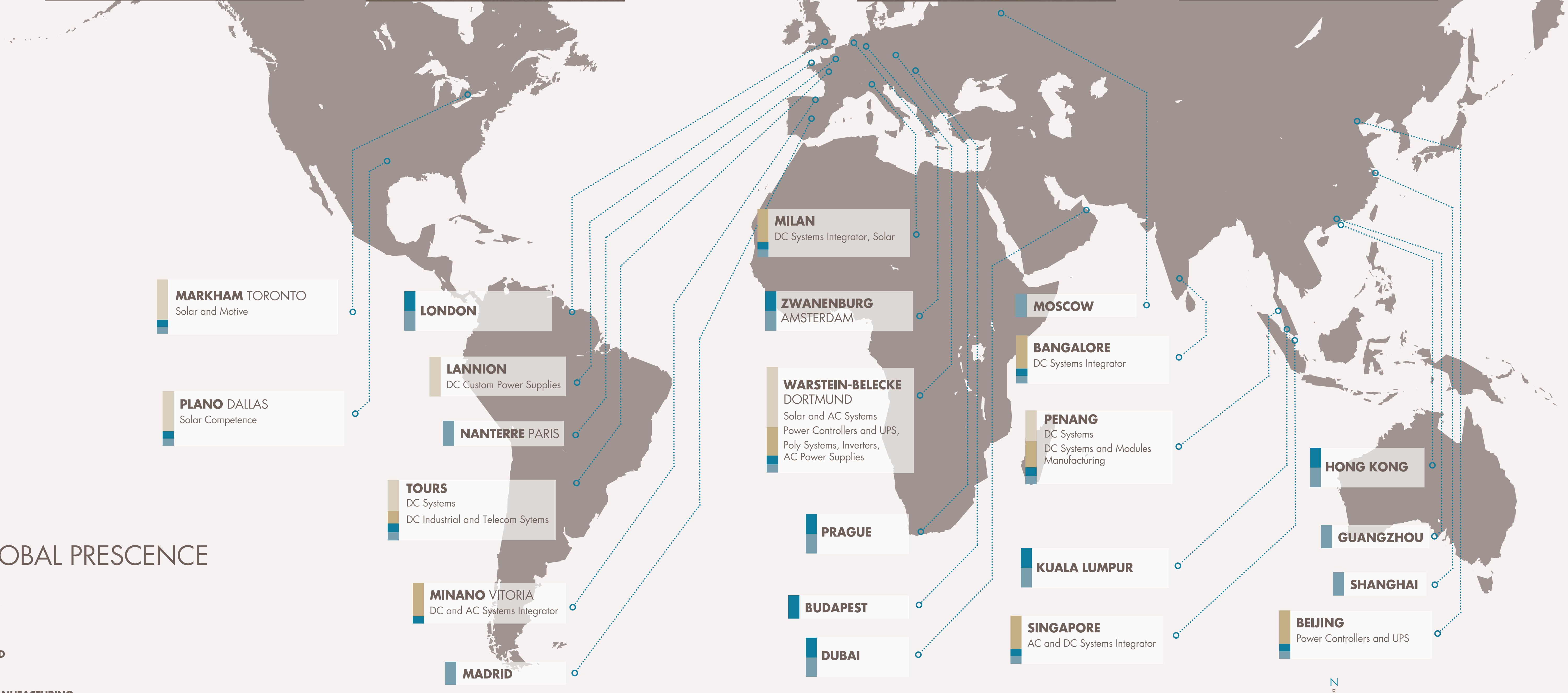
The AEG Power Solutions **Eco**pxr hybrid power solution responds to the energy needs of wireless telecom network operators in numerous situations. By combining renewable solar or wind energy with traditional battery storage and stand-by diesel generators, the hybrid solutions greatly reduce operating costs for wireless base stations in remote or rural areas. Reduced generator usage cuts expensive diesel fuel purchase and transport expenses as well as maintenance costs while enhancing overall reliability. And by reducing the use of fossil fuels, **Eco**pxr hybrid power solutions help telecom operators reduce their carbon footprint.

FULFILLING THE LED PROMISE

LED technology can help municipalities dramatically reduce their street lighting costs – but only if their LED lighting systems live up to their potential. Benefiting from decades of experience in power solutions that have proven their quality and reliability under the most extreme conditions, AEG Power Solutions has brought to market a range of drivers designed specifically for outdoor LED systems. Our drivers provide customers with power efficiency greater than 90%, Energy Star compliance, increased life expectancy and an average direct energy savings of more than 70% over traditional fluorescent lighting.



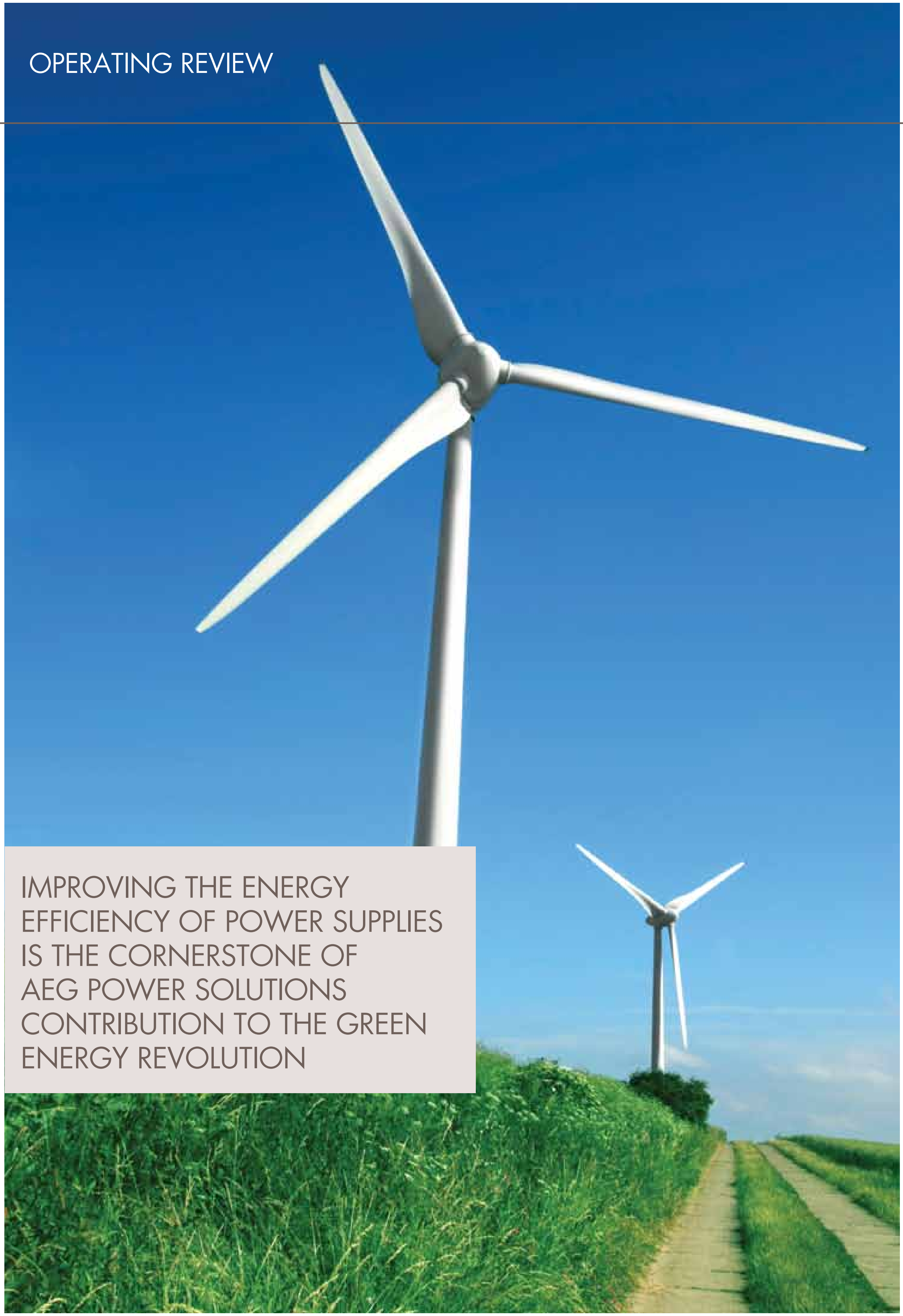
FOCUSING ON HYBRID SOLUTIONS FOR REMOTE TELECOM STATIONS



GLOBAL PRESCENCE

KEY

- R&D
- MANUFACTURING
- SALES
- SERVICE



IMPROVING THE ENERGY EFFICIENCY OF POWER SUPPLIES IS THE CORNERSTONE OF AEG POWER SOLUTIONS CONTRIBUTION TO THE GREEN ENERGY REVOLUTION

OPERATING REVIEW

ENVIRONMENTAL COMMITMENT

AEG POWER SOLUTIONS HELPS ITS CLIENTS REDUCE THEIR CARBON FOOTPRINTS IN ADDITION TO THE COMPANY'S OWN ENVIRONMENTAL, HEALTH AND SAFETY INITIATIVES

The company's greatest impact on the environment undoubtedly stems from its ability to enable customers to reduce their energy consumption. The outstanding energy efficiency of such product families as the AEG Power Solutions Thyrobox™ P line of power controllers can enable customers to increase production by as much as 20% while reducing electricity consumption. AEG Power Solutions also helps customers reap maximum benefits from new energy sources and technologies. Our LED drivers, for example, enable municipalities to reap maximum energy economies from environmentally-friendly LED technology. Likewise, our inverters for solar generating plants offer the most efficient power conversion available on the market.

AEG Power Solutions is also committed to reduce its own carbon footprint. The company aims to fully measure its carbon emissions in 2012 as part of the Agenda 2012 strategic plan. A significant milestone was achieved in 2010 when a 49 kW rooftop solar generating system went into operation at our North America headquarters in Plano, Texas. Linked to a local utility's electricity grid, the solar system reduces grid consumption by 40-to-50 % of the monthly bill.

▶ THE HIGHEST INDUSTRIAL STANDARDS

AEG Power Solutions' policy is to meet the highest international standards in terms of environmental protection. All company sites and products strictly comply with European Restriction of Hazardous Substances (ROHS), Waste Electrical and Electronic Equipment (WEEE) and Registration, Evaluation and Authorization of Chemic Substances (REACH) standards. Four of our main production sites have been certified to comply with the ISO 14001 standard for environmental management systems. We aim to achieve ISO 14001 for all sites by 2012. ■

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION IN ACTION ◀

The company's facility in Singapore provides an outstanding example of its decentralised approach to health, safety and environment (HSE) management. The site's HSE Management Plan covers subcontractors as well as all employees. Company supervisors are held accountable for ensuring that all employees understand HSE policies, have the necessary equipment and resources to comply and do effectively implement HSE standards and procedures. With a goal of zero incidents and accidents, the policies require, for example, safety induction training for all new personnel and visitors, regular safety inspections and material safety data sheets for any chemicals or hazardous materials introduced to the site.

OPERATING REVIEW

HUMAN RESOURCES

STREAMLINING INITIATIVES AND MANPOWER REALLOCATIONS IN 2010 HELPED SET THE STAGE FOR SUSTAINABLE GROWTH GOING FORWARD

Human resources efforts during 2010 focused largely on ensuring that the size and allocation of the company's workforce aligned with current business conditions without jeopardizing future growth opportunities. In 2010, adjustments were made largely through reductions in temporary workers. Overall, the company's total workforce was virtually unchanged compared to 2009, with 1522 employees worldwide at year-end. However, the global figure hides a reduction in workers in the company's traditional businesses counterbalanced by an increase in the workforce dedicated to renewable energy activities.

Significant restructuring concerning the company's facilities in Tours, France and Penang, Malaysia were announced at year-end. These streamlining and consolidation measures, which will be implemented in 2011 and 2012, are designed to enhance operational efficiency within the Energy Efficiency Solutions SBU, focusing in particular on production of telecommunications and industrial products at both facilities.

▶ OPEN COMMUNICATIONS

As part of management's ongoing effort to nurture a constructive dialogue, the Group Employee Committee (GEC) held two meetings in 2010, in Amsterdam and Beijing. The GEC provides a forum for informal, open discussions between employees and senior management. To further encourage internal communications and update all employees on key company issues, Chief Executive Officer Dr. Horst Kayser addressed employees twice via video during the second half of the year.

Dr. Kayser also hosted an unprecedented three-day work session with senior management in Frankfurt shortly after his arrival to work on such critical issues as company values, vision and mission. The September session helped set the foundation for future efforts to reinforce the company culture.

▶ LOOKING AHEAD

With reinforcement of the management team, a strategic priority for 2012, a series of initiatives will be implemented during 2011 to achieve that goal. These include review of the company's benefits program, an enhanced management performance evaluation system, and restructuring of the annual bonus program to take both short- and long-term incentives into account. The implementation of management development programs will also be a high priority, with programs initially aimed at senior managers rolled out to middle management layers over time. In addition, a global "job matrix" will be put into place, including installation of a single, unified system of job descriptions and titles, and a global job grading system. All of these measures aim to clarify accountability, install a value-based incentive system and instill a set of clear, shared values into ongoing daily activities throughout the organization. ■

MEET THE AEG POWER SOLUTIONS BOARD

THE BOARD OF DIRECTORS OF 3W POWER HAS BEEN MODIFIED AS FOLLOWS SINCE 31 DECEMBER 2009:

▶ Horst J. Kayser,	appointed July 23, 2010
▶ Timothy C. Collins,	appointed August 12, 2009, resigned February 21, 2011
▶ Leonhard Fischer,	appointed August 12, 2009, resigned February 21, 2011
▶ Thomas Middelhoff,	appointed June 24, 2008, resigned August 12, 2009, reappointed January 25, 2010
▶ Harris N. Williams,	appointed by co-optation on February 21, 2011
▶ Christopher P. Minnetian,	appointed by co-optation on February 21, 2011

▶ 1: Roland Berger, Chairman

Founder and Honorary Chairman of Roland Berger Strategy Consultants and Chairman of the Board of Trustees of the Roland Berger Foundation; member of various supervisory and advisory boards of national and international companies, foundations and organizations including:

Fiat S.p.A; Fresenius SE (Chairman Audit Committee); Prime Office AG (Chairman); RCS Mediagroup S.p.A; Telecom Italia S.p.A; Deutsche Bank AG; MillerBuckfire; Sony Corporation and The Blackstone Group.

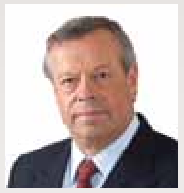
▶ 2: Horst J. Kayser, Chief Executive Officer

Chief Executive Officer of AEG Power Solutions since 1 August 2010. Former Chief Executive Officer of Kuka AG, Dr Horst J. Kayser filled a number of key roles at Siemens between 1995 and 2008, including CEO of Siemens Plc and North Europe Cluster; Chief Strategy Officer; President & CEO of Siemens Ltd. in Seoul, South Korea; and President of Siemens Industrial Automation Systems.

▶ 3: Bruce A. Brock, Non executive Director

Former CEO of AEG Power Solutions from 2005 to 2010, he is the founder of the Brock Group, has served as Chairman of the International Consortium of Advanced Manufacturing; an Advisory Board Member for Intelligent Manufacturing for the United States Department of Commerce; a Board of Trustees member for the Dallas Science Place. Served as Chief Operating Officer of Lucent Power Systems (LPS) between 1997 and 2000.

▶ 4: Keith Corbin, Non executive Director (not in main picture)



Group Executive Chairman of Nerine International Holdings Limited and serves as an independent Director on the boards of various regulated financial services businesses. An Associate of the Chartered Institute of Bankers (A.C.I.B.); and a Member of the Society of Trust and Estate Practitioners (T.E.P.).

▶ 5: Robert J. Huljak, Non executive Director

Chief Strategic Officer of AEG Power Solutions from January 2005 to December 2010. Has served on the Board of Directors for PSMA; and the University of Texas-Arlington Advisory Board for Engineering. Founding partner of the Brock Group; served as Vice President of Development and Chief Technical Officer for Lucent Power Systems (LPS). Served as Director of Development at MagneTek's Lighting Group.

▶ 6: Thomas Middelhoff, Non executive Director

Chairman and founding partner of Pulse Capital Partners LLC; former Chairman and founding partner of BLM partners; former Chairman & CEO Arcandor AG; Head of Europe Investcorp Int. Ltd; former CEO Bertelsmann AG; Board member The New York Times Company.

▶ 7: Christopher P. Minnetian, Non executive Director

Joined the Board of Directors in February 2011. Managing Director and General Counsel of Ripplewood Holdings L.L.C. since 2001. Previously served on the Supervisory Board of AEG Power Solutions from 2005 to 2009. Currently serves as a director of Delavau Holdings LLC; AirCell Holdings Inc; and Hostess Brands, all privately-held portfolio companies of Ripplewood Holdings L.L.C.

▶ 8: Harris N. Williams, Non executive Director

Managing Director of Ripplewood Holdings. Joined the Board of Directors in February 2011. Member of the Audit Committee. Also serves on the Board of Directors of Aircell, Inc.

▶ 9: Prof Mark Wössner, Non executive Director

Chairman of the Supervisory Board of Heidelberger Druckmanschinen AG. Memberof the Douglas AG Supervisory Board and the Supervisory Board of Loewe AG.

DIRECTORS REPORT

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS OF 3W POWER HOLDINGS S.A. (THE "COMPANY"). THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES ARE COLLECTIVELY REFERRED TO AS THE GROUP.

3W Power Holdings S.A. was incorporated on May 21, 2008 in Guernsey. The Company raised €250 million though its initial public offering ("IPO") on NYSE Euronext, Amsterdam on July 21, 2008. During the period from May 21, 2008 to September 10, 2009 the principal activity of the Company was that of a special acquisition vehicle with the purpose of acquiring one or more operating businesses through a merger, share purchase, asset acquisition, reorganization, capital stock exchange or similar transaction (a "Business Combination").

On July 23, 2009 the Company reached agreement to acquire AEG Power Solutions B.V. ("AEG PS") and all its subsidiaries. The acquisition of AEG PS was approved by the shareholders on August 12, 2009 and was completed on September 10, 2009. This marked the transition of the Company from an acquisition vehicle to the holding company of a leading power electronics group. The consideration paid and the goodwill and intangibles arising on the acquisition of AEG PS are summarized in note 8 of the financial statements. Adjustments made to goodwill and intangibles in 2010 are shown in note 15 and are also referred to in the business review within this report.

The Company's first consolidated financial statements incorporating AEG PS were those for the year ended December 31, 2009 in which the results of AEG PS were included from the period since acquisition on September 10, 2009 to the end of the year. Included in Appendix I is a pro-forma statement of income combining the results of AEG PS for the whole of 2009 with those of the Company.

▶ CHANGE OF NAME AND MIGRATION TO LUXEMBOURG

On April 9, 2010 the Company changed its name from Germany1 Acquisition to 3W Power Holdings S.A..

On April 9, 2010 and May 7, 2010 the Company's shareholders approved the migration of the Company from Guernsey to Luxembourg. The migration process was completed on June 8, 2010 when the Company's registration as a Luxembourg société anonyme under the name 3W Power Holdings S.A. became effective.

▶ AGENDA 2012

Following the appointment of Dr H. J. Kayser as CEO in August 2010, the Company announced the "Agenda 2012" project. Agenda 2012 sets operating and financial objectives for the Group's two operating segments, which notably include improving their market position, increasing sales, and enhancing profitability through targeted measures in selected growth areas. At the Group level, the objective is to achieve revenue growth and EBITDA targets, as well as enhance the working capital position by 2012.

AEG Power Solutions Executive committee at the Frankfurt stock exchange, on December 17, 2010 first day of trading for 3WPower. From left to right: Dr. Peter Wallmeir, Chief Ttechnology officer; Gladwyn De Vidts, Chief Strategy Officer and Vice President Power Control Systems SBU; Jan Sickmann, Chief Operating Officer and General Manager of AEG PS German entity; Jeffrey Casper, Executive Vice-President Corporate Development; Dr. Horst J Kayser, Chief Executive Officer; Enrique De La Cruz, Vice President Solar SBU; Gerhard Henschel, Chief Financial Officer; (missing from the picture, EES Vice-President)

A key part of Agenda 2012 is to enhance the profitability and efficiency of the Energy Efficiency Solutions (EES) segment. This will be achieved through simplification of the product offering, focusing on profitable projects, organisational changes and restructuring. The latter will primarily affect EES activities in France and Malaysia with smaller adjustments also planned at other locations. The restructuring includes downsizing of operations through outsourcing and transfer of activities and will inevitably involve reductions in staff numbers. Appropriate communications of the restructuring actions were made in December 2010 to employees and relevant local authorities at all affected locations. Consultations with employees and their representatives continue as required by local laws and the Group has from the outset aimed at carrying out the actions in as open and collaborative a manner as possible.

Restructuring charges were taken in the consolidated statement of income in respect of planned actions. Including executive severance the total amount charged to income for restructuring amounted to €18.8 million. This is principally for employee termination benefits.

▶ ISSUE OF UNSUBORDINATED LOAN NOTES AND LISTING ON FRANKFURT REGULATED MARKET

In November 2010 the Company successfully placed €100 million of unsubordinated loan notes (the "Notes") at a coupon of 9.25%, payable annually in arrears. The Notes are due in December 2015.

After expenses the net proceeds realized from the issue amounted to €96.8 million. The proceeds will be used to secure the long-term funding for AEG PS' external growth strategy and business realignment as part of the Agenda 2012 project.

The Notes are traded on the Bondm segment of the Stuttgart stock exchange as well as on the Open Market of the Frankfurt stock market.

On December 17, 2010 the Company's shares were admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. This was in addition to the Company's existing listing on the Euronext market, Amsterdam (ticker 3WP). Warrants in the Company are listed on the Euronext (ticker 3WPW).

▶ CHANGE IN TREATMENT OF DISCONTINUED OPERATION (LANNION)

Harmer + Simmons S.A.S. the Group's converter activity in Lannion, France, had previously been designated as a discontinued operation and had been treated as such in the consolidated financial statements for the year ended December 31, 2009. The Lannion operation has undergone significant restructuring and strategic market changes under a program initiated in 2009 in order to reduce its cost base and re-position it on a sounder footing for divestment. The restructuring was substantially completed by September 2010. The Directors have in the meantime reassessed the value of the Lannion operation

DIRECTORS REPORT

to the Group taking into account its world-class R&D capability, the potential to diversify into new areas such as LED lighting and the likelihood of realizing a sale in a reasonable timescale. Considering all factors, the Directors have concluded that it is in the best interests of the Group to retain the Lannion operation. Accordingly in the consolidated statement of income, the results of the Lannion operation are included in continuing operations.

The comparative numbers for 2009 in the consolidated statement of income and the consolidated statement of cash flows are represented accordingly. The effect of this representation the consolidated statement of income is to increase 2009 revenue and loss from operating activities by €6.7 million and €1.4 million respectively.

▶ CHANGE IN OPERATING SEGMENTS

The Group had previously identified two reportable segments, New Energies and Communications. New Energies comprised the Group's Control, Solar and Energy Management Solutions ("EMS", formerly Protect Power) product lines while Communications included the Telecom products. During the course of the first half of 2010, order intake performance in the New Energies segment exceeded expectations, driven primarily by demand in solar. This is expected to continue and the Group sees exciting opportunities for growth in renewable energies. To aid this growth and to add focus to the activity, the Directors have decided to consolidate all the Group's activities in renewables into one operating segment called Renewable Energy Solutions ("RES") which will now comprise the Power Control and Solar product lines. The Group's new subsidiary, skytron, will also be reported within this segment to further capitalize on the benefits expected to accrue from the combined strengths of AEG PS and skytron. As a result of this change, EMS products will now be combined with Telecom and the previously discontinued converter activity into one segment called Energy Efficiency Solutions ("EES"). Accordingly, the results of the Group are now presented in these two segments which also reflect the presentation of information to the Group's Chief Executive, who has been identified as the chief operating decision maker ("CODM").

▶ ACQUISITION OF SKYTRON

On February 28, 2010 the Group acquired 75% of the equity of skytron energy GmbH & Co KG and transformed the company into skytron energy GmbH ("skytron"). Goodwill arising from the acquisition amounted to €3.0 million, including estimated contingent consideration. In the period since acquisition, skytron contributed €11.8 million and €3.0 million to Group revenue and operating income respectively. skytron is reported within the RES segment.

▶ ACQUISITION OF ENERGIE MEDITERRANEE S.R.L. ("EMED") AND ASSETS HELD FOR SALE

In February 2010 the Group acquired Energie Mediterranee S.R.L. (EMED). The only assets of EMED were licences for the construction and operation of six solar farms in Italy. The licences were valued at €1.68 million and are included in additions to intangibles (note 15). As of December 31, 2010 construction of the solar farms was nearly complete and management has decided to divest these assets. There is an active process in place to identify suitable buyers and given the intention to sell the solar farms, the assets and liabilities of EMED have been classified as held for sale.

▶ PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of AEG PS is the design, development, manufacture, and sale of custom AC and DC power solutions for a wide variety of industrial and communication applications as well as for the renewable energy sector.

The reported results for 2009 include AEG PS from the date of acquisition on September 10, 2009 to December 31, 2009 having been restated for the inclusion of the Lannion activity within continuing operations (see above). The 2010 figures incorporate AEG PS for the whole of the year.

▶ ORDERS

The Group enjoyed strong growth in orders compared to 2009 as order intake reached €371.1 million (up 76% on a pro-forma basis). Growth was particularly impressive in the RES segment in which order intake grew by a pro-forma 504% to reach €163.0 million. This was attributable to excellent order intake for solar inverters, the inclusion of skytron (€14.0 million) as well as growth in polysilicon and other power controller applications. Notable successes in the year included the win of a major PV contract for utility scale solar equipment with a 260 MW capacity and the signing of a contract for the delivery of Thyrobox™ power supply systems to a leading polysilicon manufacturer in Asia. In the EES segment order growth was 13% compared to 2009 pro-forma orders. Flat order intake in Telecom applications was offset by stronger performance in Converters and EMS product lines.

▶ REVENUE

In the year to December 31, 2010 revenue was €306.0 million, 25% down on the same period in 2009 on a pro-forma basis. The drop was across both business segments with RES showing a 47% fall and EES 1%. The fall in RES revenue was due to lower polysilicon sales although this was partially offset by better performance in other solar activities including a contribution from skytron (€11.8 million). RES revenue in 2010 includes €5.6 million of one-time income from a contract amendment negotiated with a customer.

EES revenue was down following slower than expected order intake in the first half of the year for EMS as a result of which EMS sales were marginally lower than in 2009. Sales of Telecom products remained weak throughout 2010 and were 7% lower than in 2009. Converters recorded higher revenues which helped offset the fall in EMS and Telecom.

▶ SEASONALITY OF OPERATIONS

The Group's revenue in the second half of the year in general tends to be higher than the revenue in the first half with the last quarter typically being the strongest. This seasonality holds most for the EES segment. In the RES segment this second half bias can be distorted by the incidence of specific large projects, as indeed was the case in 2009 when in actual fact total revenues were higher in the first half as a result of excellent sales performance in RES.

▶ LOSS FROM OPERATING ACTIVITIES

As a result of the annual testing of the carrying value of goodwill an impairment of €14.6 million was identified. This was attributable to the Telecom and EMS product lines within the EES segment. No goodwill impairment was identified in Power Controllers and skytron.

Impairment and accelerated amortization charges of €46.6 million in total were also taken in respect of intangible assets, principally for customer relations. This follows a reassessment of the likely future revenue streams from customers which existed at the time of the acquisition of AEG PS.

Restructuring charges relate to the estimated costs of implementing changes in EES as part of the Agenda 2012 project (see above). The charges are mainly for employee termination benefits and include €3.4 million executive severance.

Working capital provisions are principally against potentially excess and obsolete material and advance payments given to certain suppliers.

Professional, consulting and other costs are mainly due to expenses associated with the Company's listing on the Frankfurt market and the issue of the Notes, Agenda 2012 project costs and expenses related to the acquisition of skytron and EMED.

Adjusting for the above items, the loss from operating activities would have been €33.5 million compared to a pro-forma profit of €23.7 million in 2009. This difference in profitability is largely due to the higher revenue and the richer mix of polysilicon sales in 2009. The adjusted loss of €33.5 million stated above includes charges of €33.0 million (2009: €47.7 million pro-forma) from the regular amortization of intangibles on acquisition.

▶ NET FINANCIAL INCOME

Net financial income in 2010 was €22.6 million (2009: expense of €12.0 million actual and expense of €17.5 million pro-forma). The income is stated after a gain of €24.6 million (2009: loss of €15.2 million actual and pro-forma) arising from the change in the fair value of warrants. The change in the value of warrants is a non-cash item. An increase in the value of the warrants results in non-cash financial expense while a decrease causes a non-cash financial gain. Excluding the effects of the warrants, 2010 would have shown a net financial expense of €2.1 million compared to actual net financial income in 2009 of €3.1 million. The income in 2009 arose principally on the cash raised from the Company's IPO and held in the trust account until the completion of the acquisition of AEG PS on September 10, 2009.

▶ TAXATION

The Group recognized a tax benefit in 2010 of €20.2 million almost entirely due to deferred taxes on intangibles. In 2009 the Company was resident in Guernsey and was subject to a tax rate of 0%. Following its migration to Luxembourg in June 2010, the Company's tax rate will no longer be zero. The effective rate at which the Group recognizes and pays taxes depends on the profitability and tax rates in the countries in which the Group operates.

▶ CAPITAL EXPENDITURE AND INTANGIBLE ASSETS

Expenditure on tangible fixed assets in the year amounted to €22.1 million of which €18.1 million related to construction of solar power generation farms by EMED in Italy. As noted earlier there is an intention to divest these solar assets, as a result, the assets and liabilities of EMED (including the capital expenditure) have been treated as held for sale and reclassified to current assets/liabilities.

The net book value of intangible assets fell in the year chiefly as a result of amortization and impairment charges. These amounted to a total of €97.0 million of which €61.2 million was due to goodwill impairment and accelerated amortization of intangibles following impairment testing (see one time charges in Loss on operating activities above). Goodwill was further reduced by €4.5 million due to adjustments to the purchase consideration for the acquisition of AEG PS. Other changes in intangibles, including goodwill arising from the acquisition of skytron and the purchase of solar permits in Italy, are shown in note 15.

▶ EQUITY

Share capital increased €12.5 million due to the assignment of nominal value to the Company's share capital following the migration from Guernsey to Luxembourg. The increase in nominal value was affected by means of a transfer from share premium. Previously share capital had no nominal value and all issued capital was included in share premium.

The non-controlling interest of €0.7 million shown in equity relates to the 25% stake in skytron retained by the vendor.

Further information on movements in equity including retained earnings, are shown in the consolidated statement of changes in equity.

THE LOSS FROM OPERATING ACTIVITIES IN THE YEAR WAS 124.8 MILLION EUROS. THIS INCLUDES THE EFFECTS OF SEVERAL ONE-TIME/ EXCEPTIONAL FACTORS, NAMELY

In millions of euro	
Goodwill impairment	14.6
Impairment and accelerated amortization of intangibles	46.6
Restructuring charges	18.8
Working capital provisions (principally inventory)	12.9
Professional, consulting and other costs	5.8
One-time income in RES	(5.6)
Total	**93.1**

DIRECTORS REPORT

Equity attributable to equity holders of the Company fell by €82.8 million due to the net loss incurred in the year as a result of impairment, amortization and restructuring charges.

▶ RESEARCH AND DEVELOPMENT (R&D)

SPENDING ON R&D DURING THE YEAR WAS AS FOLLOWS:

In millions of euro	2010	2009[1]
Gross R&D spending	18.0	14.6
Capitalized amounts (net of amortization)	(2.8)	(4.5)
Impairment and amortization of intangibles on acquisition	8.9	7.4
Total	**24.1**	**17.5[1]**

Gross R&D spending includes €1.1 million from skytron. Excluding this effect, gross spending increased by 16%, reflecting increased investment in all of the Group's product areas but in particular in the RES segment. A number of new projects were carried out in this segment including the PV250 and PV500 solar inverters, the PI system for polysilicon process improvement, and new power control systems for other (non-polysilicon) applications. In EES there was additional R&D spending on LED applications. The Group has also continued to allocate research spending on advanced projects.

▶ OUTLOOK

AEG PS operates in global markets with good long term growth characteristics. The renewables sector appears to be particularly promising and the Group is already well established in this sector. The RES business has good positions in the whole solar value chain, from polysilicon production to provision of systems for solar photovoltaic generation. The business enters 2011 with a good backlog and order pipeline.

In the more traditional power electronics market, our EES business supports mission critical systems and infrastructure and our expectation is that this market will also continue to grow. Through its recognized position in this sector, EES expects to benefit from this growth. Its profitability will improve from this growth and following successful implementation of current restructuring.

With the raising of the loan capital the Group is in a position to support its growth prospects while also achieving the business realignment portion of the Agenda 2012 project.

▶ RESULTS AND DIVIDENDS

The results for the year and the financial position at December 31, 2010 are shown in the consolidated income statement and the consolidated statement of financial position.

No dividend is proposed for the year.

▶ PRINCIPAL RISKS

The principal risks that could have a material impact on the Group are set out in note 5 of the financial statements and are summarized below:

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash status and projected sources and needs throughout the year.

As noted earlier, in November 2010 the Company successfully raised a net €96.8 million of loan capital through the placement of loan Notes. This capital ensures the Group has adequate liquidity in place to finance its activities and implement its restructuring and growth strategy.

At December 31, 2010, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €28 million in overdraft and short term loans of which €17.9 million was undrawn
- €30 million receivables financing.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to customer credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. The Group's Italian and Canadian subsidiaries each derive more than 50% of their revenue from a single customer. The subsidiaries concerned have long-standing and close associations with these customers and this concentration does not constitute a significant risk for the Group as a whole.

More than 50% percent of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently. The Group's operating subsidiaries analyse new customers individually for creditworthiness before orders are accepted. Payment and other terms are set commensurate with the level of risk

[1] The 2009 comparatives have been restated for the effect of including the results of the Converter activity in Lannion within continuing operations

perceived by the Group and this may include sales made on a prepayment basis. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly.

Interest rate and currency risk

The majority of the Group's debt is in the form of the Notes which are long term and carry a fixed interest rate. Debt with variable interest rate is largely confined to the receivables financing facilities and the Group does not enter into interest rate derivatives. Therefore the Group's exposure to interest rate risk is limited.

Details of the Group's exposure to currency risk are shown in note 31, from which it can be seen that the main exposure is to the euro, the Group's functional currency. Exposure to other currencies is limited and the Group had no foreign currency instruments in place at the year end.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

▶ OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

▶ SHARE CAPITAL

Details of the share capital (including own shares held by the Company as Treasury shares) and share premium are shown in note 21.

▶ DIRECTORS' INTERESTS

The interests of Directors and related parties in the share capital of the Company are shown in note 32 of the financial statements.

▶ DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

▶ AUDITORS

The Annual General Meeting held on May 7, 2010 approved the appointment of KPMG Audit S.à r.l as auditors of the company for the year ended December 31, 2010. ■

GOVERNANCE

GOVERNANCE

THE FOLLOWING GOVERNANCE SECTION IS APPLICABLE TO BOTH THE GROUP AND THE COMPANY.

3W Power Holdings S.A. (formerly Germany1 Acquisition Ltd) is a limited company organized under the laws of Luxembourg. The company has an authorised share capital of €37,560,018 consisting of 150,240,072 shares and an issued capital of €12,520,006 consisting of 50,236,024 shares without an indication of a nominal value. As of the end of the 2010 financial year, the share capital consisted solely of ordinary shares which are listed on the Euronext Amsterdam Exchange and, since December 17, 2010, on the Deutsche Börse Frankfurt.

During the 2010 financial year, the Company migrated from Guernsey to Luxembourg. The decision to migrate was made at an Extraordinary General Meeting of the shareholders of the Company on April 9 and May 7, 2010 and the registration in Luxembourg became effective on June 8, 2010.

Pursuant to the terms of the agreement on the Business Combination with AEG PS, the Class A and B shares issued were amended in order to create a single class of shares. The Articles of Association have been amended accordingly by an extraordinary general meeting of shareholders held on December 14, 2010.

The Company is committed to maintaining the highest standards of governance and responsibility towards its shareholders, employees and all other outside parties in the jurisdictions within which it operates. Following the completion of the Business Combination on September 10, 2009, AEG Power Solutions management, which was placed in charge of the Company, has undertaken the task of reinforcing its existing standards and practices to adapt to its new status as a listed company.

▶ SHAREHOLDERS

Each of the shares of the Company is entitled to one vote (except for treasury shares). Shareholders are called to an annual general meeting each year by the Board of Directors. The Board may also call extraordinary shareholder meetings at its discretion. Decisions at the annual general meeting are subject to simple majority requirements, unless otherwise provided under Luxembourg law. The Articles of Association provide for general meetings of shareholders to be convened by registered letter sent to each shareholder at least 15 days prior to the meeting. The Chairman of a shareholder meeting is a director or, in the absence of any director, a shareholder chosen by the general meeting.

Issuances of new shares within the Company's authorized share capital are decided by the Board of Directors of the Company

The authorised share capital of the Company is €37,560,018. During a period of five years from the publication of the Articles of Association, the Board of Directors is authorized to issue shares within the authorized share capital of the Company subject to the conditions set out in the Articles of Association.

Increases in share capital are decided by the extraordinary general meeting of shareholders.

In accordance with the Articles of Association of the Company and Luxembourg law, the share capital of the Company may be amended by a resolution of the general meeting of shareholders adopted by a majority of two-thirds of the votes validly cast at an extraordinary general meeting where at least half of the Company's issued share capital is present or represented.

If such requirement is not complied with, a second extraordinary general meeting will be called by the Board of Directors whereby the resolution amending the share capital of the Company will be passed by a majority of two-thirds of the votes validly cast at the meeting, regardless of the portion of capital present or represented at the meeting. Abstention and nil votes will not be taken into account.

▶ PURCHASE OF ITS OWN SHARES BY THE COMPANY

The Company may purchase any of its own shares and may make a payment out of capital in respect of such purchase.

Under Luxembourg law, the acquisition of its own shares by the Company should comply with the following requirements:

1) Such purchase must not breach the principle of equal treatment of all shareholders who are in the same position and the law on market abuse;

2) The authorization to acquire the shares shall be given by the general meeting of shareholders which shall determine the terms and conditions of the proposed acquisition and in particular (i) the maximum number of share to be acquired, (ii) the duration period for which the authorization is given and which may not exceed 5 years and (iii) the maximum and minimum consideration;

3) The acquisitions by the Company of its own shares may not have the effect of reducing the net assets of the Company below the amount of subscribed share capital plus the reserves which may not be distributed under law or by virtue of the articles of incorporation

4) Only fully paid-up shares may be acquired.

The Board of Directors is responsible to ensure that conditions 3 and 4 stated above are complied with.

Shares purchased by the Company may be held as treasury shares. The Company may not exercise any right in respect of treasury shares held by it.

▶ BOARD OF DIRECTORS

Under the Articles of Association of the Company, the Board of Directors is made up of at least four members, with no maximum number. The members of the board are appointed and revoked by ordinary resolution of the shareholders. The Board of Directors may also appoint Directors to fill vacancies on the board who will hold office only until the next annual general meeting and then be eligible for election.

At the 2011 Annual General Meeting, the entire Board will retire from office. A retiring Director is eligible for re-election.

The Board of Directors is responsible for the activity of the Company and the corporate governance structures, adopting and implementing strategies and, more generally, the day-to-day management of the Company.

However, under the Articles of Association, the Company's daily management may be delegated to an Executive Director acting alone. In 2010, the Board of Directors has appointed Mr. Horst Kayser as Chief Executive Officer.

Shareholder approval is required only in limited situations including approving the annual accounts of the Company, amending the articles of association or winding up the Company's business.

At the end of the 2010 financial year, the Board was comprised of nine members including two Executive Directors holding the positions of Chief Executive Officer and Chief Strategic Officer and seven non-executive members.

The Executive Directors are entrusted by the Board of Directors with the management of the Company. In this regard, they are responsible for implementing the strategy of the Company to achieve its objectives in line with its risk profile, setting and applying corporate policies and adhering to the rules of corporate social responsibility. The Executive Directors are employees of the Company in their capacities as CEO and CSO respectively.

The fees paid to non-Executive Directors have been set at €90,000 per annum in aggregate. Board members are also entitled to reimbursement of their reasonable costs associated with the performance of their duties as directors.

Members of the Board of Directors must report and provide all relevant information regarding any conflict of interest to the Board.

Following the completion of the Business Combination, the Board created two standing committees: the audit committee and the compensation committee. Each committee is made up of two non-Executive Directors.

▶ COMPENSATION COMMITTEE

The purpose of the compensation committee is to (i) oversee the administration of the compensation plans, in particular the incentive compensation and equity-based plans, of the Company (and, to the extent appropriate, the subsidiaries of the Company), (ii) discharge the Board's responsibilities relating to the compensation of the Company's Management Executives Board Directors, and (iii) review and make recommendations on director compensation.

The compensation committee met at the time of the Business Combination to set the remuneration plan for the executive members of the board of directors. The committee is

also working on a long term incentive plan which should be implemented during 2011.

▶ AUDIT COMMITTEE

The audit committee assists the Board of Directors in fulfilling its responsibility to oversee (i) matters relating to the financial controls, reporting, and external audits, the scope and results of audits, and the independence and objectivity of auditors; (ii) monitoring and reviewing the audit function; (iii) monitoring the involvement of the independent auditor, focusing on compliance with applicable legal and regulatory requirements and account standards; and (iv) the performance of the Company's external auditors.

▶ EXTERNAL AUDITORS

The external auditors are appointed by the shareholders at the annual general meeting on the recommendation of the Board of Directors and, more specifically, its audit committee. The remuneration of the external auditors is agreed upon by the Board of Directors. The extraordinary general meeting of May 7, 2010, approved the appointment of KPMG Audit S.à r.l as external auditor.

▶ RULES AND POLICIES

Following the completion of the Business Combination, the Company adopted an insider regulation and stock market compliance program. A Group compliance officer was named to oversee the insider trading policies and a Group-wide program was implemented to make all the employees aware of their rights and obligations from a securities law perspective.

AEG Power Solutions' code of conduct continues to apply to the activities of our employees and our group companies. This code sets forth the fundamental principles to which all of the group employees must adhere. These principles have served the Group well and will continue to evolve as needed to meet the challenges of the changing business environment.

▶ RISK ASSESSMENT

The risks which could have a material impact on the Group are discussed in the Directors' Report on page 34 ■

Approved by the Board of Directors and signed on its behalf by:

Dr. Horst J. Kayser

RESPONSIBILTY STATEMENT

I, Horst Kayser, Chief Executive Officer, confirm, to the best of my knowledge, that the consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of 3W Power Holdings Group and the undertakings included in the consolidation taken as a whole and that the Director's report includes a fair review of the development and performance of the business and the position of 3W Power Holdings Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Dr. Horst J. Kayser

On behalf of the Board of Directors

30 March 2011

FINANCIAL STATEMENTS

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Consolidated statement of financial position

For the year ended 31 December

In thousands of euro	Note	2010	2009
Assets			
Property, plant and equipment	14	33,590	30,911
Intangible assets	15	213,522	278,655
Goodwill	15	86,312	102,452
Other non-current financial assets		1,515	1,548
Total non-current assets		**334,939**	**413,566**
Inventories	17	65,199	59,361
Trade and other receivables	18	94,751	70,732
Prepayments	19	687	4,400
Cash and cash equivalents	20	122,555	57,958
Assets classified as held for sale	7	22,176	24,785
Total current assets		**305,368**	**217,236**
Total assets		**640,307**	**630,802**
Equity			
Share capital	21	12,520	-
Share premium	21	383,836	394,928
Retained earnings		(92,542)	(8,211)
Reserve for own shares	21	(25,235)	(24,375)
Cumulative translation adjustment	21	1,094	86
Total equity attributable to equity holders of the Company		**279,673**	**362,428**
Non-controlling interest		731	-
Total equity		**280,404**	**362,428**
Liabilities			
Loans and borrowings	23	97,826	-
Employee benefits	24	23,982	22,569
Deferred tax liabilities	16	52,541	73,103
Provisions	25	9,451	7,950
Total non-current liabilities		**183,800**	**103,622**
Warrants	26	6,161	30,975
Loans and borrowings	23	22,797	10,748
Trade and other payables	27	86,756	59,859
Income tax liabilities		652	16,129
Deferred income	28	34,963	32,060
Provisions	25	18,550	2,807
Liabilities classified as held for sale	7	6,224	12,174
Total current liabilities		**176,103**	**164,752**
Total liabilities		**359,903**	**268,374**
Total equity and liabilities		**640,307**	**630,802**

The consolidated financial statements on pages 43 to 100 were approved by the Board of Directors on 30 March 2011 and signed on its behalf by:

Dr. Horst J. Kayser

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

For the year ended 31 December

In thousands of euro	Note	2010	2009[1]
Revenue	6	306,037	110,488
Cost of sales		(232,008)	(82,977)
Gross profit		**74,029**	**27,511**
Selling, general and administrative expenses		(72,483)	(20,861)
Research and development expenses		(24,122)	(5,352)
Other expenses	9	(104,049)	(19,451)
Loss from operating activities		**(126,625)**	**(18,153)**
Finance income		25,398	3,924
Finance costs		(2,838)	(15,972)
Net finance income/(costs)	12	**22,560**	**(12,048)**
Profit/(loss) before income tax		**(104,065)**	**(30,201)**
Income tax benefit	13	20,213	2,782
Profit/(loss) for the period		**(83,852)**	**(27,419)**
Profit/(loss) attributable to:			
Owners of the company		(84,503)	(27,419)
Non-controlling interest profit		651	-
Profit/(loss) for the period		**(83,852)**	**(27,419)**

Earnings per share

Basic (loss) / earnings per share (euro)	22	(1.78)	(0.76)
Diluted (loss) / earnings per share (euro)	22	(1.78)	(0.76)[2]

[1] The 2009 comparatives have been represented for the effect of including the results of the Converter activity in Lannion within continuing operations (note 7).

[2] Restated (note 22).

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December,

In thousands of euro	Note	2010	2009[2]
Profit/(loss) for the period		**(83,852)**	**(27,419)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		1,008	86
Other comprehensive income for the period		**1,008**	**86**
Total comprehensive income for the period		**(82,844)**	**(27,333)**
Total comprehensive income/(loss) attributable to:			
Owners of the company		(83,495)	(27,333)
Non-controlling interest		651	-
Total comprehensive income/(loss) for the period		**(82,844)**	**(27,333)**

[2] Restated (note 2)

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Equity attributable to holders of the company

For the year ended 31 December 2010

In thousands of euro	Note	Share capital	Share premium	Translation reserve	Reserve for own shares	Retained earnings	Total equity group	Non-controlling interest	Total equity
Balance at 1 January 2009		**-**	**212,448**	**-**	**-**	**18,865**	**213,313**	**-**	**231,313**
Comprehensive income /(loss) for the year to 31 December		-	-	86	-	(27,419)	(27,333)	-	(27,333)
Redemption of 2,916,429 ordinary reedemable shares	21	-	(29,399)	-	-	-	(29,399)	-	(29,399)
Excercised warrants (25,500 ordinary shares issued)	26	-	216	-	-	-	(216)	-	(216)
Issue of 9,604,465 class A shares	21	-	93,644	-	-	-	93,644	-	93,644
Issue of 9,604,466 class B shares	21	-	93,644	-	-	-	93,644	-	93,644
Treasury shares		-	24,375	-	(24,375)	-	-	-	-
Share based payments		-	-	-	-	343	343	-	343
Total transactions [2]		**-**	**182,480**	**86**	**(24,375)**	**(27,076)**	**131,115**	**-**	**131,115**
Balance at 31 December 2009		**-**	**394,928**	**86**	**(24,375)**	**(8,211)**	**362,428**	**-**	**362,428**
								-	
Balance at 1 January 2010		**-**	**394,928**	**86**	**(24,375)**	**(8,211)**	**362,428**	**-**	**362,428**
Comprehensive income/(loss) for the year to 31 December 2010		-		1,008	-	(84,503)	(83,495)	651	(82,844)
Transfer to share capital from share premium	21	12,520	(12,520)	-	-	-	-	-	-
Exercised warrants (168,013 ordinary shares issued)	26	-	1,428	-	-	-	1,428	-	1,428
Increase in treasury shares	21	-	-	-	(2,150)	-	(2,150)	-	(2,150)
150,000 shares transferred from treasury shares	21	-	-	-	1,290	(1,290)	-	-	-
Share based payments		-	-	-	-	1,462	1,462	-	1,462
Acquisition of non-controlling interest	8	-	-	-	-	-	-	80	80
Total transactions		**12,520**	**(11,092)**	**1,008**	**(860)**	**(84,331)**	**(82,755)**	**731**	**(82,024)**
Balance at 31 December 2010		**12,520**	**383,836**	**1,094**	**(25,235)**	**(92,542)**	**279,673**	**731**	**280,404**

[2] Restated (note 2)

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flows

For the year ended 31 December

In thousands of euro	Note	2010	2009[1]
Cash flows from operating activities			
(Loss)/profit for the period		(83,852)	(27,419)
Adjustments for non-cash items:			
Depreciation	14	4,216	1,313
Amortization and impairment of intangible assets and goodwill	15	96,990	19,849
Change in fair value of warrants	12	(24.645)	15,190
Change in provisions	17,19,25	36,120	4,177
Charge for share-based payments	10, 32	1,461	343
Change in other non-current financial assets		170	-
Finance (expense)/income (net)	12	2,129	(3,142)
Income tax credit	13	(20,213)	(2,782)
Cash flow from/(used in) operations before changes in working capital		**12,376**	**7,529**
Change in inventories	17	(13,227)	12,760
Change in trade and other receivables	18	(14,103)	9,217
Change in prepayments	19	515	1,159
Change in trade and other payables	27	19,987	(4,422)
Change in employee benefits	24	(430)	889
Change in provisions	25	(7,605)	(1,875)
Change in deferred income	28	2,800	(11,643)
Cash generated from/(used in) operating activities		**(12,063)**	**6,085**
Income tax paid		(21,911)	(11,406)
Net cash from operating activities		**(21,598)**	**2,208**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired.	8	209	(165,583)
Expenses of acquisition of AEG Power solutions	8	-	(4,241)
Acquisition of property, plant and equipment	14	(20,772)	(838)
Proceeds from sale of property, plant and equipment	14	59	48
Acquisition of intangible assets	15	(3,347)	(508)
Capitalized internal development expenditure	15	(4,692)	(1,504)
Net cash used in investing activities		**(28,543)**	**(172,626)**
Cash flows from financing activities			
Interest received (net)		334	3,592
Proceeds from issue of share capital and warrants	21	1,260	191
Share redemptions	21	-	(29,399)
Net proceeds of notes payable program	23	96,750	-
Change in other long and short term debt	23	5,234	1,773
Proceeds from new short term debt raised	23	10,000	-
Net cash from (used in) financing activities		**113,578**	**(23,843)**
Effect of movement in exchange rates		**470**	**-**
Net (decrease) /increase in cash and equivalents		**63,907**	**(194,261)**
Cash and cash equivalents at beginning of period		58,235	252,496
Cash and cash equivalents at 31 December	20	**122,142**	**58,235**

[1] The 2009 comparatives have been represented for the effect of including the results of the Converter activity in Lannion within continuing operations (note 7)

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Notes to the Consolidated financial statements

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

3W Power Holdings S.A. (The "Company") was previously registered in Guernsey. With effect from 2 June, 2010 the company became domiciled in Luxembourg and the address of its registered office is: 19, Rue Eugene Ruppert, L-2453 Luxembourg.

On 9 April, 2010 the Company changed its name from Germany1 Acquisition Limited to its current name of 3W Power Holdings S.A.

The Company's shares and warrants are listed on the NYSE Euronext, Amsterdam in both years. On 17 December, 2010 the shares were also admitted to listing on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB).

The consolidated financial statements of the Company as at and for the year ended 31 December, 2010 comprise the company and its subsidiaries (together referred to as the "Group" and individually as "group entities"). Since its acquisition of AEG Power Solutions B.V. in September 2009 the Group is a world provider of premium electronics. It offers comprehensive product and service portfolios in power conversion and control, for customer spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The group has developed a full range of products for the solar energy industry, from solar inverters to turnkey solutions and is investing in solutions that will enable distributed power generation and smart micro-grids.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2011.

b) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated.

c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 8	- measurement of intangibles as part of business combination
Note 15	- impairment test procedures on goodwill and other intangible assets
Note 16	- utilisation of tax losses
Note 24	- measurement of defined benefit obligations
Note 25, 29, 30	- provisions, off-balance sheet commitments and contingencies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation (continued)

e) Changes in accounting policies

The Group accounts for any change in accounting policy retrospectively unless mentioned otherwise. The principal changes in Group accounting policies are:

IFRS 3 Business Combinations

From 1 January, 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. This change has been applied prospectively to the acquisition of skytron (note 8) and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 January, 2010, the Group measures goodwill at the acquisition date as:

• the fair value of the consideration transferred; plus

• the recognized amount of any non-controlling interests in the acquiree; plus

• if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

• the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

For acquisitions until 31 December, 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

IFRS 7 Financial Instruments & IAS 39 Financial instruments, recognition and measurement

A financial liability is recognized initially at its fair value plus transaction costs that are directly attributable to the issue of the financial instrument. Transaction costs on financial instruments are expensed over the period that the debt is outstanding using the effective interest method.

IAS 27 Non-controlling interests

Also adopted was IAS 27 in respect of non-controlling (minority) interests. As a consequence upon acquisition the non-controlling interest is valued at fair value with any subsequent changes being recorded through the consolidated statement of income.

f) Adjustments to the 2009 audited and published financial statements

Change in treatment of discontinued operation (Lannion)

Harmer + Simmons S.A.S., the Group's Converter activity at Lannion in France, had previously been designated as a discontinued operation and had been treated as such in the consolidated financial statements for the year ended 31 December, 2009. As explained in note 7, in 2010 the Directors have reassessed the Lannion activity and have decided to include this activity within the normal continuing operations of the Group.
As a result the 2009 consolidated statement of income and consolidated statement of cash flows have been restated to present Lannion as part of continuing operations in 2009. The consolidated statement of financial position of 2009 has not been represented.

2. Basis of preparation (continued)

f) Adjustments to the 2009 audited and published financial statements (continued)

Change in operating segments

During the course of the first half of 2010 the Directors have decided to collect all the Group's activities in renewables into one operating segment called Renewable Energy Solutions ("RES"). As a result of this change, EMS products will now be combined with Telecom and the previously discontinued converter activity into one segment called Energy Efficiency Solutions ("EES"). See note 6 for further information on this change.

Share based payments

In the 2009 Consolidated financial statements the amount of share based payments was reported in the consolidated statement of comprehensive income. In the 2010 consolidated financial statements this is taken directly to equity. The 2009 comparative information (Consolidated statement of comprehensive income and Consolidated statement of changes in equity) has been represented accordingly.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Business combinations

Until the end of 31 December, 2009 the purchase method of accounting based on IFRS 3 (2004) is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets of the subsidiary acquired is recognized as goodwill.

As from 1 January, 2010 the Group applies IFRS 3 (revised) for all new business combinations.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. There is a choice on an acquisition-by-acquisition basis to measure the non controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs other than share and debt issuance costs are expensed.

The non-controlling interests are disclosed separately in the consolidated statements of income as part of profit allocation and in the Consolidated statement of financial position as a separate component of equity. Upon acquisition the non-controlling interest is valued at fair value with any subsequent changes being recorded through the consolidated statement of income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued)

b) Foreign currency

Transactions in other than the euro (foreign) currencies are translated at the rate of exchange applicable on the transaction rate. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro by applying the annual average rates.

Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

Financial information prepared in currencies other than the euro has been converted at the euro rate per foreign currency unit set out below:

Country	Currency	**Closing rates 2010**	**Average rates 2010**	Closing rates 2009	Average rates 2009
Canada	CAD	0.75	0.73	0.66	0.63
China	CNY	0.11	0.11	0.10	0.10
India	INR	0.02	0.02	0.01	0.01
Malaysia	MYR	0.24	0.23	0.20	0.20
Russia	RUB	0.02	0.02	0.02	0.02
Singapore	SGD	0.58	0.55	0.50	0.49
United Kingdom	GBP	1.16	1.17	1.13	1.12
United States	USD	0.75	0.75	0.69	0.72

c) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies have been translated into euro using the weighted average rates of exchange for the periods involved. Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument.

d) Derivative financial instruments

The Group may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Generally the Group seeks to apply hedge accounting in order to minimise the effects of foreign currency fluctuations in the income statement.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors and forward exchange contracts. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency and interest rate hedging operations are governed by an internal policy and rules (treasury policy) approved and monitored by the Board. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

3. Significant accounting policies (continued)

d) Derivative financial instruments (continued)

Derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are accounted as described below. The fair value of forward exchange contracts and interest rate swaps are their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the income statement.

Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group identifies the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are stated at amortized cost, less the related allowance for impaired loans. Loans and receivables comprise trade and other receivables.

Trade accounts receivable are carried at the lower of amortized cost or the present value of estimated future cash flows, taking into account discounts given or agreed. The present value of estimated future cash flows is determined through the use of allowances for uncollectible amounts. In the event of sale of receivables and factoring, the Group derecognizes receivables when the Group has given up control or continuing involvement. Long-term receivables are initially recognized at their present value using an appropriate interest rate. Any discount is amortized to income over the life of the receivable using the effective yield.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. They are stated at face value, which approximates fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of short term debt for the purpose of the statement of cash flows.

3. Significant accounting policies (continued)

d) Derivative financial instruments (continued)

Held-to-maturity financial assets

Held-to-maturity investments are those debt securities which the Group has the ability and intent to hold until maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recorded at fair value. Unrealised holding gains and losses, net of the related tax effect, on available-for-sale financial assets are reported as a separate component of other comprehensive income until realised.

Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: notes payable, loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value. The notes payable liability is recognized initially at its fair value plus transaction costs that are directly attributable to the issue of the financial instrument.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants

Warrants are initially recorded as liability at fair value in the statement of financial position. This liability is remeasured at fair value and changes therein are recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings, plant and equipment 20 - 30 years
- Infrastructure and fixtures 10 - 20 years
- Equipment and tools 5 - 10 years
- Small equipment and tools 2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

f) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

3. Significant accounting policies (continued)

f) Intangible assets

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

• Capitalized development costs	3 - 7 years
• Backlog	2 - 3 years
• Customer relations	14 - 20 years
• Technology	4 - 10 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding rental obligations, net of finance charges, are included in other short term and other non-current liabilities.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease term.

Other leases are operating leases and, except for investment property, the leased assets are not recognized in the Group's statement of financial position. Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Investment property held under an operating lease is recognized in the Group's statement of financial position at its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

h) Inventories

Inventories and work in progress are measured at the lower of cost and net realizable value. Cost is primarily calculated on a weighted average price basis. Reserves for inventories and work in progress are calculated based on an analysis of foreseeable changes in demand, technology or the market, in order to determine obsolete or excess inventories and work in progress. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

Financial assets including receivables

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The amount of the allowance for doubtful receivables reflects both the customers' ability to honour their debts and the age of the debts in question. The Group establishes a bad debt allowance procedure that foresees provisioning for each specific case. As soon as individual trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors.

The allowance for the risk of non collection of trade accounts receivable takes into account credit risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

3. Significant accounting policies (continued)

i) Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

j) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

3. Significant accounting policies (continued)

j) Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate used is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The Group applies the corridor method to recognize in the profit of loss actuarial gains and losses over the expected average remaining working lives of employees in the plan. The corridor is 10 percent of the greater of the present value of the obligation and the fair value of the assets at the beginning of the period. The corridor is calculated and applied separately for each plan. The net cumulative unrecognized actuarial gain or loss at the beginning of the period in excess of the corridor is amortized on a straight-line basis over the expected remaining working lives of the employees in the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

j) Employee benefits (continued)

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the payment is measured to reflect such conditions and there is no true-up for differences between expected and actual conditions.

k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Group accrues for losses associated with environmental obligations when such losses are probable and can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net costs of continuing with the contract. Before a provision is established, the Group recognizes an impairment loss on the assets associated with that contract.

l) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

For the recognition of revenue for solar projects the group is applying the construction contract method. This is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function of their ultimate purpose of use.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that this is probable that they will result in revenue and can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion on the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

3. Significant accounting policies (continued)

l) Revenue (continued)

The stage of completion is addressed by reference to surveys of work performed. When the outcome of a construction contract can not be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. In general the group recognizes revenue from the sale of goods and equipment when a contractual arrangement with its customer exists, delivery has occurred, the amount of revenue can be measured reliable and is profitable that the economic benefits associated with the transaction will flow to the group. Accruals for estimated returns are recorded at the same time based on contract terms and prior claims experience. In arrangements where the customer specifies final acceptance of the goods, equipment, services or software, revenue is generally deferred until all the acceptance criteria have been met.

Service revenue related to repair and maintenance activities for goods sold is recognized pro rata over the service period or as services are rendered. Revenue from training and consulting services is recognized when the services are performed.

For product sales through resellers and distributors, revenue is recognized at the time of the shipment to distributors.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair value of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

The group accrues for warranty costs, sales returns and other allowances based on contract terms and its historical experiences.

Government grants are recognized as income as qualified expenditures are made, except for grants relating to purchases of assets, which are deducted from the cost of the assets.

m) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

n) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Transaction costs on financial instruments is expensed over the period that the debt is outstanding using the effective interest method and is included in Finance costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Significant accounting policies (continued)

o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Non-current assets held for sale and discontinued operations are carried at the lower of carrying amount or fair value less costs to sell. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the consolidated comparative statement of comprehensive income and the consolidated statement of cash flows are represented as if the operation had been discontinued from the start of the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise restricted shares, warrants and any share options granted to employees.

r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker (the "CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has identified two reportable segments, Renewable Energy Solutions ''RES" and Energy Efficiency Solutions "EES". RES combines the Power Contollers and solar product lines as well as Group solutions for the Solar energy. EES includes the Group's Telecom, Converters and EMS solutions.

s) New standards and interpretations not yet adopted

Other than those adopted early as explained in note 2(e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December, 2010, and have not been applied in preparing these consolidated financial statements. The main standards that might affect the group are:

Amendments to IFRS 7 Financial Instruments: Disclosures

The revised standard addresses additional disclosure notes in situations where assets are reclassified. This amendment is applicable to the Company on 1 January, 2012. The change in accounting policy impacts disclosures only.

IFRS 9 'Financial Instruments'

This standard introduces certain new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications, those measured at amortized cost and those measured at fair value.

The standard along with proposed expansion of IFRS 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. The Group is evaluating the impact that this new standard will have on the Group's consolidated financial statements.

Improvements to IFRSs 2010

In May 2010, the IASB issued 'Improvements to IFRSs 2010', a collection of amendments to seven International Financial Reporting Standards, as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The amendments resulting from this standard mainly have effective dates for annual periods beginning on or after 1 January, 2011. The improvements are not expected to have a material impact on the Company's Consolidated financial statements.

Revised IAS 24 'Related Parties Disclosures'
The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The Company will apply IAS 24 (revised) retrospectively from 1 January, 2011. The change in accounting policy impacts disclosures only.

Amendment to IAS 32 'Classification of Rights Issues'
The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment is applicable to the Company on 1 January, 2011 and is not expected to have a material impact on the Company's Consolidated financial statements.

3. Significant accounting policies (continued)

s) New standards and interpretations not yet adopted

Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'

This amendment allows for the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions for defined-benefit plans in respect of future service. The amendment to IFRIC 14 will be adopted on 1 January, 2011, will be applied retrospectively and is not expected to have a material impact on the Company's Consolidated financial statements.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

IFRIC 19 clarifies the accounting when the terms of debt are renegotiated with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). The interpretation requires a gain or loss to be recognized in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The reclassification of the carrying value of the existing financial liability into equity (with no gain or loss being recognized in profit or loss) is no longer permitted. IFRIC 19 is applicable on 1 January, 2011. The application of this IFRIC is not expected to have a material impact on the Company's Consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Intangible assets

The fair value of technology acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the technology being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets (such as backlog) is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Warrants

The fair value of the outstanding warrants is measured at market price by applying the list price of these warrants at the end of the period as traded at the Euronext Amsterdam.

Pension

The fair value of pension as a result of the business combination is recognized based upon the identified unrecognized net actuarial gain adjusted for discounted flows expected to be derived from the use and eventual sale of this asset.

At the year end the value of the plan assets have been determined based on market quotations.

Share based payments

Share based payments are measured by reference to the estimated fair value based on market prices.

5. Financial risk management

Overview

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risks limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee is chartered to oversee how management monitors compliance with the Group's risk management policies and procedures, and to review the adequacy of the risk management framework in relation to the risks faced by the Group.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to customer credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. The Group's Italian and Canadian subsidiaries each derive more than 50% of their revenue from a single customer. The subsidiaries concerned have long-standing and close associations with these customers and this concentration does not constitute a significant risk for the Group as a whole.

More than 50% percent of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently. The Group's operating subsidiaries analyse new customers individually for creditworthiness before orders are accepted. Payment and other terms are set commensurate with the level of risk perceived by the Group and this may include sales made on a prepayment basis. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with solid counterparties.

Guarantees

The Group provides guarantees and performance bonds when required for specific projects and such guarantees are approved by Group management. At 31 December, 2010 the value of guarantees issued by the Group amounted to €13.5 million (2009: €9.9 million) net of those covered by cash collateral.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash status and projected sources and needs throughout the year.

As noted earlier, in November 2010 the Company successfully raised a net €96.8 million of loan capital through the placement of loan Notes. This capital ensures the Group has adequate liquidity in place to finance its activities and implement its restructuring and growth strategy. At 31 December, 2010, in addition to the liquidity raised through the loan Notes, the Group also had the following credit facilities at certain of its subsidiaries:

- €28 million in overdraft and short term loans of which €17.9 million was undrawn
- €30 million receivable financing

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each subsidiary supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Operating segments

The Group had previously identified two reportable segments, New Energies and Communications. New Energies comprised the Group's Control, Solar and EMS product lines while Communications included the Telecom products. During the course of the first half of 2010, order intake performance in the New Energies segment has exceeded expectations driven primarily by demand in solar. This is expected to continue and the Group sees exciting opportunities for growth in renewable energies. To aid this growth and to add focus to the activity the Directors have decided to collect all the Group's activities in renewables into one operating segment called Renewable Energy Solutions ("RES") which will now comprise the Power Control and Solar product lines. The Group's new subsidiary, skytron, will also be reported within this segment to further capitalize on the benefits expected to accrue from the combined strengths of AEG PS and skytron. As a result of this change, EMS products will now be combined with Telecom and the previously discontinued converter activity into one segment called Energy Efficiency Solutions ("EES"). Accordingly the results of the Group are now presented in these two segments which also reflect the presentation of information to the Group's Chief Executive, who has been identified as the chief operating decision maker ("CODM").

Results by operating segment

For the year ended 31 December, 2010

In thousands of euro	Renewable Energies Solutions	Energy Efficiency Solutions	Unallocated Amounts	Total
Revenue	**110,267**	**195,770**	**-**	**306,037**
Segment operating income / (loss)	**9,762**	**(4,040)**	**(1,890)**	**3,832**
Restructuring costs		(16,456)	(2,315)	(18,771)
Capitalized development costs (net of amortization)	3,312	(492)	-	2,820
Central overheads	-	-	(18,527)	(18,527)
PPA[1]	(47,603)	(31,937)	(1,839)	(81,379)
Goodwill impairment	-	(14,600)	-	(14,600)
Loss from operating activities	**(34,529)**	**(67,525)**	**(24,571)**	**(126,625)**

Revenue for Renewable Energies Solutions includes €5.6 million as one-time income from a contract amendment negotiated with customer.

Segment operating income for Renewable Energies Solutions ("RES") and Energy Efficiency Solutions ("EES") includes charges of €12.4 million and €0.5 million respectively for working capital provisions.

Central overheads includes a one-time charge of €5.8 million for professional, consulting and other costs and are mainly due to expenses associated with the Company's listing on the Frankfurt market and the issue of the Notes, Agenda 2012 project costs and expenses in relation to the acquisition of skytron and EMED.

In addition, accelerated amortization and impairment charges of €46.6 million (RES €25.1 and EES €21.3 million) are included in the line PPA and €14.6 million for impairment of goodwill.

6 Operating segments (continued)

Results by operating segment

For the year ended 31 December, 2009

In thousands of euro	Renewable Energies Solutions	Energy Efficiency Solutions	Unallocated Amounts	Total[2]
Revenue	**41,238**	**69,250**	**-**	**110,488**
Segment operating income / (loss)	**11,091**	**2,463**	**1,039**	**14,593**
Restructuring costs	-	(3,181)	-	(3,181)
Capitalized development costs (net of amortization)	505	687	-	1,192
Central overheads	-	-	(5,352)	(5,352)
PPA[1]	(19,326)	(5,973)	(106)	(25,405)
Loss from operating activities	**(7,730)**	**(6,004)**	**(4,419)**	**(18,153)**

[1] Purchase price accounting adjustments arising from the amortization of fair value adjustments and intangible assets identified on the acquisition of AEG Power Solutions (note 8).

[2] The 2009 comparatives have been restated for the effects of including the results of the Converter activity in Lannion which had been treated as discontinued operation in 2009 (note 7) and for the change in the composition of operating segments.

Revenue comprises €250,971 (2009: €91,193) thousands for goods and €55,066 (2009: €19,295) thousands for services. The Group monitors assets at country level rather than by operating segment. Therefore information on assets is disclosed below on a geographic basis.

Material information about Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the location of customers. Segment assets and liabilities are based on the location of the assets and liabilities.

The country of domicile is included in the rest of Europe.

For the year ended 31 December, 2010

In thousands of euro

	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Revenue	72,732	122,622	70,182	40,501	-	306,037
Non-current assets[1]	139,472	94,250	8,949	4,441	-	247,112
Total assets	237,608	345,848	26,408	8,267	22,176	640,307
Total liabilities	83,415	250,737	15,008	4,519	6,224	359,903

For the year ended 31 December, 2009

In thousands of euro

	Germany	Rest of Europe	Africa, Middle East and Asia	Americas	Held for sale	Total
Revenue	26,537	34,484	46,394	3,073	-	110,488
Non-current assets[1]	186,819	103,446	13,906	5,395	-	309,566
Total assets	314,104	253,523	29,775	8,615	24,785	630,802
Total liabilities	88,190	159,727	5,989	2,294	12,174	268,374

[1] Non-current assets exclude goodwill and non-current financial assets.

7. Non-current assets held for sale / Discontinued operation

Change in treatment of discontinued operation (Lannion)

The balances for assets and liabilities held for sale in the 2009 consolidated statement of financial position represent the assets/liabilities of Harmer + Simmons S.A.S. the Group's converter activity at Lannion in France. In 2009 this had been designated as a discontinued operation and had been treated as such in the consolidated financial statements for the year ended 31 December, 2009. The Lannion operation has undergone significant restructuring and strategic market changes under a programme initiated in 2009 in order to reduce its cost base and re-position it on a sounder footing for divestment. The restructuring was substantially completed by September 2010. The Directors have in the meantime reassessed the value of the Lannion operation to the Group taking into account its world-class R&D capability, the potential to diversify into new areas such as LED lighting and the likelihood of realizing a sale in a reasonable timescale. Considering all factors the Directors have concluded that it is in the best interests of the Group to retain the Lannion operation. The comparative numbers for 2009 in the consolidated statement of income and the consolidated statement of cash flows have been restated accordingly. The effect on the consolidated statement of income of this restatement is to increase 2009 revenue and loss from operating activities by €6,652 thousands and €1,353 thousands respectively.

Energie Mediterranee S.R.L. ("EMED") assets and liabilities held for sale

EMED was acquired by the Group in February 2010 as a vehicle for the construction and operation of solar power generation farms in Italy. As at 31 December, 2010 construction of the solar farms is nearly complete and management have decided to divest these assets. There is an active process in place to identify suitable buyers and given the intention to sell the solar farms, the assets and liabilities of EMED have been classified as held for sale.

EMED's sole activity was the construction of the solar farms and its principal asset is tangible fixed assets represented by the construction-in-progress. EMED had no revenues during the year. Its income statement is not material and is included within the consolidated statement of income.

The assets and liabilities held for sale at each year end are shown below. In 2009 the figures relate to the assets/liabilities of the Lannion converter operation while in 2010 the assets/liabilities shown are those of EMED.

Assets classified as held for sale

In thousands of euro	2010	2009
Intangible assets	1,684	10,792
Property, plant and equipment	18,253	2,469
Other non-current assets	-	137
Inventories	-	4,683
Trade and other receivables	2,237	5,835
Cash and cash equivalents	2	869
Total assets held for sale	**22,176**	**24,785**

Liabilities classified as held for sale

In thousands of euro	2010	2009
Short term loan	5,000	4,171
Pension and other post-retirement obligations	-	690
Trade and other payables	1,224	7,313
Total liabilities held for sale	**6,224**	**12,174**

The short term loan shown above carries interest at 3 month Euribor + 2% and expires on March 31, 2011. The loan is repayable on demand and is guaranteed by AEG Power Solutions B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Business combinations

Acquisition of skytron

On 28 February, 2010 the AEG Power Solutions BV acquired 75 % of the equity of Skytron energy GmbH & Co KG which subsequently was transformed into Skytron energy GmbH ("skytron").

Based in Berlin, Skytron energy GmbH & Co Kg is specialized in the development and manufacture of monitoring systems for utility-scale PV power plants. At the time of the acquisition the company employed 40 people, mainly engineers involved in hardware and software development.

Goodwill arising on the acquisition aggregated to €3,024 thousands. No other intangible assets were identified on this acquisition. Included in the goodwill is an amount of contingent consideration payable to the former skytron owners on the achievement of certain EBITDA targets in 2010. This contingent consideration is payable in 2011 after skytron's results for 2010 have been determined.

In the period since acquisition skytron contributed €11,809 thousands and €3,050 thousands to Group revenue and operating income respectively. Skytron is reported within the RES segment.

Acquisition of AEG PS

On September 10, 2009 the Company acquired 100% of AEG Power Solutions BV ("AEG PS"). The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Purchase Price Consideration

In thousands of euro	2010	2009
Base cash consideration	200,000	200,000
Share consideration	185,138	187,288
Cash and working capital consideration adjustment	20,084	22,498
Total purchase price consideration	**405,222**	**409,786**

During 2010 goodwill on acquisition of AEG PS was reduced by 2,150 thousands representing the transfer to the Company of 250,000 Founder shares in settlement of certain transaction-related expenses. Goodwill was further reduced by €2,414 thousands relating to the return to the Company of cash previously held in escrow pending resolution of a tax audit (note 15).

In accordance with IFRS 3 (2004) transaction costs directly attributable to the acquisition were included in the cost of the acquisition. These amounted to €4.2 million primarily relating to external legal fees and due diligence costs. The aggregate cost of the acquisition was therefore €414.0 million.

Contingent Consideration

The Company has agreed to pay the former shareholders of AEG Power Solutions an additional consideration of maximum €25 million in cash and a maximum of 2.5 million in shares on a 50/50 basis subject to the achievement of certain adjusted EBITDA targets for each of the years 2009, 2010 and 2011. Based on actual results for 2009 and 2010 and projections for 2011, the Board of Directors consider that the earn-out will not be achieved for any of the years in question. Accordingly, both the cash and share elements of the earn-out have been excluded from the determination of the purchase price for the acquisition of AEG Power Solutions.

Should this contingent consideration become probable the amount of the purchase price and goodwill will be adjusted.

Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Business combinations (continued)

Identifiable assets acquired and liabilities assumed on acquisition were as follows:

In thousands of euro	Before Acquisition date	Purchase Price allocation	After Acquisition date
Assets			
Goodwill	-	102,452	102,452
Other intangible assets	10,815	284,933	295,748
Property, plant and equipment	24,271	6,960	31,231
Other non current financial assets	1,554	-	1,554
Deferred tax assets	4,869	(4,869)	-
Inventories	66,575	6,054	72,629
Trade and other receivables	80,389	-	80,389
Prepayments	5,559	-	5,559
Cash and cash equivalents	56,519	-	56,519
Assets classified as held for sale	14,394	11,536	25,930
Total	**264,945**	**407,066**	**672,011**
Liabilities			
Employee benefits	23,171	(1,491)	21,680
Deferred tax liabilities	3,370	76,263	79,633
Provisions	8,419	-	8,419
Loan and borrowings – current	8,863	-	8,863
Deferred income	38,389	-	38,389
Trade and other payables	61,103	-	61,103
Income tax liabilities	26,560	-	26,560
Liabilities classified as held for sale	13,339	-	13,339
Total	**183,214**	**74,772**	**257,986**
Total net identifiable assets	**81,731**	**332,294**	**414,025**

The goodwill was attributable mainly to the skills and technical capability of AEG Power Solutions' workforce.

The purchase price allocation adjustments to other intangible assets were as follows:

In thousands of euro	
Order portfolio	24,007
Customer relations	206,157
Technology	54,769
Total continuing operations	**284,933**
Customer relations	9,821
Technology	971
Total discontinued operations	**10,792**

This footnote should be read in conjunction with note 4 Determination of fair values. The policies applied in deriving fair values are set out in note 4. Property, plant and equipment fair value adjustments primarily relate to the Group's freehold properties whose book values were restated to market levels derived on the basis of third party valuations by qualified valuers. Inventory was valued on the basis of estimated selling price less costs to complete. The adjustment to pensions primarily relates to the Group's pension scheme in Germany and represents the recognition of net actuarial gains calculated on the basis of a report by external actuaries.

8. Business combinations (continued)

Intangible assets such as order portfolio and customer relations were valued based on discounted cash flows expected to be derived from the use or eventual sale of the assets. Technology was valued based on the estimated discounted royalty payments that have been avoided as a result of acquiring the technology.

Cash flows were projected based on past experience, actual results and 5 years business plans.

In the first year of the business plan revenue was projected taking into account current economic conditions. The projected revenue included in the cash flow projections for the 5 - year plans has been based on the expectation of some recovery in the economy in 2010 adjusted for factors expected to influence the units' activities such as growth in renewable markets, changes in backlog and introduction of new products. The 5 year projections were also benchmarked against other external data available to management. Project cash flows were discounted at the Group's estimated weighted average cost of capital.

9. Other expenses

In thousands of euro	Note	2010	2009
Amortization of intangible assets	15	58,115	16,239
Impairment of intangible assets	15	12,563	-
Goodwill impairment	15	14,600	-
Restructuring costs	25	18,771	3,186
Others		-	26
Total		**104,049**	**19,451**

The 2009 comparatives have been represented for the effect of including the results of the Converter activity in Lannion within continuing operations (note 7).

10. Personnel expenses

In thousands of euro	2010	2009
Salaries and wages	75,150	22,395
Compulsory social security contributions	13,037	4,523
Contributions to defined contribution plans	1,581	1,084
Expenses related to defined benefit plans	601	59
Increase in liability for long-service leave	255	367
Share-based payments	1,461	343
Total personnel expenses	**92,085**	**28,771**

The 2009 comparatives have been represented for the effect of including the results of the Converter activity in Lannion within continuing operations (note 7).

11. Headcount by region

The total average number of full time equivalent (FTE) employees in the year to 31 December, 2010 and comparative numbers for the period September 10, 2009 to 31 December, 2009 are as follows:

	2010	2009
Germany	572	549
France	332	359
Rest of Europe	210	202
Asia Pacific	324	320
North America	51	49
Total average FTE	**1,489**	**1,479**

The 2009 comparatives have been represented for the effect of including the results of the Converter activity in Lannion within continuing operations (note 7).

The total headcount at the end of 31 December, 2010 is 1,522 (2009: 1,535).

12. Finance income and costs

In thousands of euro	2010	2009
Interest income on bank deposits	753	3,924
Net change in fair value of warrants	24,645	-
Finance income	**25,398**	**3,924**
Interest expense on loans and payables	522	299
Interest expense on notes payable	815	-
Pension related financial expenses	1,040	463
Net change in fair value of warrants	-	15,190
Other finance costs	461	20
Finance costs	**2,838**	**15,972**
Net finance income (costs)	**22,560**	**(12,048)**

Outstanding warrants are shown as a liability on the balance sheet valued at the market price of the warrants. Changes in the value of the liability are included in finance income and costs in the statement of income.

Interest income on bank deposits in 2009 arose principally on the cash held in the trust account. This cash has been used in funding the acquisition of AEG Power Solutions and share redemptions in 2009.

Interest on notes payable relates to interest accrued at 9.25% on the Notes placed in December 2010 (note 23) and the amortized portion of costs incurred in placing the notes payable. Such costs are expensed over the period that the debt is outstanding using the effective interest method.

Other finance costs include factoring charges and foreign exchange gains/losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Income tax benefit

In thousands of euro	2010	2009
Current tax (expense)/benefit		
Current period	(166)	(3,699)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences	20,562	6,530
Other	(183)	(49)
Deferred tax benefit	**20,379**	**6,481**
Income tax benefit	**20,213**	**2,782**

Reconciliation of effective tax rate

In thousands of euro	2010	2009
Loss for the period	(83,852)	(27,419)
Total income tax benefit	20,213	2,782
Loss before income tax	**(104,065)**	**(30,201)**
Expected income tax benefit using the domestic tax		
rate 28.59 % (2009: 15.7%)[1]	29,752	4,742
Effect of different local tax rates	974	-
Tax exempt income (change in fair value of warrants)	7,048	-
Tax exempt expense (impairment of goodwill)	(4,266)	-
Current year losses for which no deferred tax asset was set-up	(13,714)	(1,634)
Previous recognized tax losses	(286)	-
Others	705	(326)
Income tax benefit	**20,213**	**2,782**

[1] In 2009 the Group's blended tax rate has been used as the Guernsey tax rate is 0%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Property, plant and equipment

In thousands of euro	Land	Buildings	Machinery and equipment	Other	Total
Cost					
Balance at 1 January, 2009	**-**	**-**	**-**	**-**	**-**
Acquisition through business combinations	3,323	19,318	7,563	1,027	31,231
Additions	-	31	775	32	838
Disposals and others	-	(18)	(27)	(3)	(48)
Effect of movements in exchange rates	10	27	47	12	96
Balance at 31 December, 2009	**3,333**	**19,358**	**8,358**	**1,068**	**32,117**
Balance at 1 January, 2010	**3,333**	**19,358**	**8,358**	**1,068**	**32,117**
Acquisition through business combinations	-	-	-	124	124
Additions	110	1,018	20,232	752	22,112
Transfer from assets held for sale	-	101	2,390	90	2,581
Disposals and others	-	595	(2,067)	1,348	(124)
Transfer to assets held for sale	(110)	-	(18,143)	-	(18,253)
Effect of movements in exchange rates	76	181	242	105	604
Balance at 31 December, 2010	**3,409**	**21,253**	**11,012**	**3,487**	**39,161**
Depreciation					
Balance at 1 January, 2009	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	(3)	(340)	(767)	(88)	(1,198)
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	(1)	(4)	(3)	(8)
Balance at 31 December, 2009	**(3)**	**(341)**	**(771)**	**(91)**	**(1,206)**
Balance at 1 January, 2010	**(3)**	**(341)**	**(771)**	**(91)**	**(1,206)**
Depreciation for the year	(10)	(996)	(1,867)	(1,343)	(4,216)
Transfer from assets held for sale	-	(2)	(109)	(1)	(112)
Disposals and others	-	(16)	118	(74)	28
Effect of movements in exchange rates	(1)	(17)	(34)	(13)	(65)
Balance at 31 December, 2010	**(14)**	**(1,372)**	**(2,663)**	**(1, 522)**	**(5,571)**
Carrying amounts					
At 1 January, 2010	3,330	19,017	7,587	977	30,911
At 31 December, 2010	**3,395**	**19,881**	**8,349**	**1,965**	**33,590**

Transfer to/from assets held for sale

The assets transferred to assets held for sale relate to the fixed assets of solar farms of EMED which management have decided to divest and have accordingly classified as assets held for sale (note 7). The assets transferred from assets held for sale relate to the fixed assets of the Lannion Converter operations which in 2009 had been treated as a discontinued operation held for sale (note 7).

14. Property, plant and equipment (continued)

The depreciation charge recognized in the consolidated statement of income is as follows:

- Cost of sales: €1,121 (2009: €366) thousands
- Selling, general and administrative expenses: €2,519 (2009: €739) thousands
- Research and Development expenses: €576 (2009: €93) thousands

Impairment charges

In assessing whether property, plant and equipment have to be impaired, the carrying amount of the assets is compared with the recoverable amount of the cash generating unit. No impairment loss was recognized in 2010.

Acquisition through business combinations

Acquisition through business combination reflects the addition of fixed assets following the acquisition of AEG Power Solutions B.V. in 2009 and skytron in 2010.

Leased plant and machinery

The group has no material finance lease agreements.

Capitalized borrowing costs

Included in machinery and equipment additions is €97 thousands (2009: nil) of interest costs incurred by EMED on loans to finance the construction of its solar farms.

15. Intangible assets

In thousands of euro	Goodwill	Backlog	Customer relations	Technology	Research and Development costs	Other	Total
Cost							
Balance at 1 January, 2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition through business combinations	102,452	24,007	206,157	54,769	8,901	1,914	398,200
Additions	-	-	-	-	-	508	508
Internally developed assets	-	-	-	-	1,504	-	1,504
Effect of movements in exchange rates	-	-	-	-	-	-	-
Balance at 31 December, 2009	**102,452**	**24,007**	**206,157**	**54,769**	**10,405**	**2,422**	**400,212**
Balance at 1 January, 2010	**102,452**	**24,007**	**206,157**	**54,769**	**10,405**	**2,422**	**400,212**
Acquisition through business combinations	3,024	-	-	-	-	11	3,035
Transfer from assets held for sale	-	-	9,821	971	-	-	10,792
Transfer of Founder shares	(2,150)	-	-	-	-	-	(2,150)
Settlement of tax escrow	(2,414)	-	-	-	-	-	(2,414)
Additions	-	-	-	-	-	3,358	3,358
Internally developed assets	-	-	-	-	4,692	-	4, 692
Transfer to assets held for sale	-	-	-	-	-	(1,684)	(1,684)
Disposals & others	-	-	-	-	-	58	58
Effect of movements in exchange rates	-	-	-	-	-	62	62
Balance at 31 December, 2010	**100 ,912**	**24,007**	**215,978**	**55,740**	**15,097**	**4,227**	**415,961**
Amortization and impairment							
Balance at 1 January, 2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortization for the period	-	(11,764)	(4,475)	(2,262)	(314)	(290)	(19,105)
Balance at 31 December, 2009	**-**	**(11,764)**	**(4,475)**	**(2,262)**	**(314)**	**(290)**	**(19,105)**
Balance at 1 January, 2010	**-**	**(11,764)**	**(4,475)**	**(2,262)**	**(314)**	**(290)**	**(19,105)**
Amortization for the period	-	(12,221)	(45,794)	(7,825)	(1,872)	(978)	(68,690)
Impairment	(14,600)	-	(12,563)	(1,137)	-	-	(28,300)
Disposals & others	-	-	-	-	-	(24)	(24)
Effect of movements in exchange rates	-	-	-	-	-	(8)	(8)
Balance at 31 December, 2010	**(14,600)**	**(23,985)**	**(62,832)**	**(11,224)**	**(2,186)**	**(1,300)**	**(116,127)**
Carrying amounts							
At 1 January, 2010	102,452	12,243	201,682	52,507	10,091	2,132	381,107
At 31 December, 2010	**86,312**	**22**	**153,146**	**44,516**	**12,911**	**2,927**	**299,834**

Included in additions, under other, are €1,684 thousands for licences purchased in Italy for the construction and operation of solar power generation farms. The licences are held by a new Group company, Energie Mediterranee S.R.L. ("EMED"), established for the purpose. EMED's assets and liabilities at 31 December, 2010 are classified as held for sale (see below and note 7).

On 28 February, 2010 the Group acquired 75% of the equity of skytron energy GmbH. Goodwill arising on the acquisition amounted to €3,024 thousands (note 8).

15. Intangible assets (continued)

The goodwill and the intangibles associated with backlog, customer relations and technology relate to the acquisition of AEG PS by the Company on September 10, 2009.

During 2010 goodwill on acquisition of AEG PS was reduced by €2,150 thousands representing the transfer to the Company of 250,000 Founder shares in settlement of certain transaction-related expenses. Goodwill was further reduced by €2,414 thousands following the determination of the tax audit of AEG Power Solutions GmbH, the Company's subsidiary in Germany. Under the agreement for the acquisition of AEG PS, 500,000 shares and €5 million cash were held in escrow pending finalization of the tax audit. The audit has been concluded and the Company has received the cash released from the tax escrow. This represents a reduction in the price paid for the acquisition of AEG PS and accordingly goodwill has been reduced.

Transfer to/from assets held for sale

The assets transferred to assets held for sale relate to the solar licences held by EMED which management have decided to divest and have accordingly been classified as assets held for sale (note 7). The assets transferred from assets held for sale relate to the assets of the Lannion Converter operations which in 2009 had been treated as held for sale (note 7).

Research and development costs

The group has procedures and processes to monitor and capitalize costs on projects designed to develop new marketable products which meet the capitalization criteria.

Impairment of goodwill and customer relations

As a result of the acquisition of AEG Power Solutions €102,452 thousands of goodwill was generated in 2009 and subsequently reduced by €4.5 million. Goodwill arising on the acquisition of skytron amounted to €3,024 thousands.

Goodwill is not amortized but is tested annually for impairment. In the case of AEG PS, the goodwill generated has been allocated to cash generating units ("CGU"). In the case of Skytron the goodwill was allocated directly to the business acquired which represents the CGU.

A summary of the results of the 2010 impairment test together with the CGUs to which goodwill has been allocated is shown below (in EUR Millions):

CGU	Net carrying amount at 1 January 2010	Additions	Reductions	Impairment charge	Net carrying amount at 31 December 2010	Difference between value in use and the carrying amount of net assets
EMS	22.3	-	-	(11.1)	11.2	-
Power Controllers	76.6	-	(4.5)	-	72.1	164.8
Telecom	3.5	-	-	(3.5)	-	-
skytron	-	3.0	-	-	3.0	45.0
Total	**102.4**	**3.0**	**(4.5)**	**(14.6)**	**86.3**	**209.8**

The recoverable amount of the cash-generating units was based on their value in use. The carrying amount of goodwill of EMS and Telecom CGUs was determined to be lower than their recoverable amount and a total impairment loss on goodwill of €14.6 million was recognized. In addition an amount of €13.7 million of impairment loss has been recorded, which was allocated to the intangible assets customer relations and technology on a pro-rata basis. No goodwill impairment was identified in Power Controllers and skytron.

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs. The calculation of the value in use was based on the key assumptions described below.

Cash flows were projected based on past experience, actual operating results and 5-year business plans.

15. Intangible assets (continued)

Impairment of goodwill and customer relations (continued)

Terminal growth rates used in the valuations are set at 1% which can be supported by reference to the trading performance of the Company over a longer period.

In setting the 5-year plans management took into account actual performance in 2010 compared to prior projections, prevailing economic conditions and the aims of the "Agenda 2012" initiative launched by the CEO which includes restructuring of the EES operating segment (comprising the EMS, Telecom and Converter CGUs). The projections for the 5-year plans have been based on the expectation of successful completion of the current restructuring and some recovery in the economy adjusted for factors expected to influence the units' activities such as growth in renewable markets, changes in order backlog and introduction of new products.

A pre-tax discount rate of 13.8 % (2009: 14.0 %) was applied in determining the recoverable amount of the CGUs. The discount rate was estimated using the market rate for risk free returns and risk premium and by benchmarking against the cost of equity, capital structure and credit spreads of a peer group of companies operating in sectors similar to those of AEG PS's operations.

An increase in the discount rate of 1% would have resulted in further impairment of €11.1 million all which is attributable to EMS and Telecom CGUs. The same 1% increase in the discount rate would have resulted in a decrease of €47.5 million in the value-in-use of Power Controllers and skytron. However this would not have caused impairment.

Impairment procedures on goodwill are performed at least once a year to assess if the carrying value is still higher than the recoverable amount. In addition to the regular amortization of €35.8 million, accelerated amortization charges of €32.9 million were also taken in respect of intangible assets, principally for customer relations. This follows a reassessment of the likely future revenue streams and useful life of customers which existed at the time of the acquisition of AEG PS.

The amortization and impairment charges are recognized as follows in the consolidated statement of income:

- Research and development expenses: €11,712 thousands (2009: €2,866 thousands)
- Other expenses: €85,278 thousands (2009: €16,239 thousands).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Deferred tax assets and liabilities

Unrecognized deferred tax assets

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As at 31 December, deferred tax assets have not been recognized in respect of the following items

In thousands of euro	2010	2009
Tax losses	16,580	6,885
Deductible temporary differences	2,591	739
Total unrecognized deferred tax assets	**19,171**	**7,624**

Of the total unrecognized tax losses, €10.5 million have no expiration date while a further €5.4 million expire after10 years.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities at 31 December, are attributable to the following:

In thousands of euro	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Property, plant and equipment	355	(4,562)	430	(4,561)
Intangible assets	-	(61,378)	-	(80,573)
Inventories	-	(292)	-	(563)
Employee benefits	2,928	-	2,773	(413)
Provision	1,960	(95)	621	(69)
Other items	1,460	(101)	1,656	(86)
Sub-total	**6,703**	**(66,428)**	**5,480**	**(86,265)**
Tax loss carry-forwards	7,184	-	7,682	-
Tax assets/(liabilities)	**13,887**	**(66,428)**	**13,162**	**(86,265)**
Set off of tax	(13,887)	13,887	(13,162)	13,162
Net tax assets/(liabilities)	**-**	**(52,541)**	**-**	**(73,103)**

Movement in temporary differences during the year

In thousands of euro	Balance 31 Dec 2008	Acquired in business combination (note 8)	Recognized in profit or loss	Balance 31 Dec 2009	Asset previously held for sale	Recognized in profit or loss	Balance 31 Dec. 2010
Property, plant and equipment	-	(4,886)	755	(4,131)	(467)	391	(4,207)
Intangible assets	-	(85,940)	5,367	(80,573)	(3,593)	22,788	(61,378)
Inventories	-	(1,968)	1,405	(563)	46	225	(292)
Employee benefits	-	2,412	(52)	2,360	399	169	2,928
Provisions	-	149	403	552	1,244	69	1,865
Other items	-	1,832	(262)	1,570	34	(245)	1,359
Sub-total	**-**	**(88,401)**	**7,616**	**(80,785)**	**(2,337)**	**23,397**	**(59,725)**
Tax loss carry forward		8,768	(1,086)	7,682	2,337	(2,835)	7,184
Total		**(79,633)**	**6,530**	**(73,103)**	**-**	**20,562**	**(52,541)**

17. Inventories

In thousands of euro	2010	2009
Raw materials and consumables	55,114	40,900
Work in progress	13,858	12,731
Finished goods	13,231	11,889
Inventory Gross	**82,203**	**65,520**
Reserve for slow-moving and obsolete inventories	(17,004)	(6,159)
Net inventory	**65,199**	**59,361**

At the time of the business combination with AEG PS in 2009 inventory was fair valued resulting in a step-up in value of €6.7 Million including the discontinued part of Lannion in 2009. This was fully expensed in cost of sales in 2009. Included in cost of sales is €163.5 (2009: €61.2) Million of material costs and €12.3 (2009: €1.2) Million of impairment charges for inventory. The increase in inventory reserves mainly relates to higher levels of excess and obsolete material. Group inventories are not pledged as security.

18. Trade and other receivables

In thousands of euro	2010	2009
Trade receivables	85,089	68,063
Income tax receivables	7,347	980
Other current assets	4,906	3,842
Allowance for doubtful accounts	(2,591)	(2,153)
Net Trade and other receivables	**94,751**	**70,732**
Non-current	-	-
Current	**94,751**	**70,732**

The impairment charges for doubtful debts in 2010 amounted to €1,405 (2009: €500) thousands, and are included in cost of sales. The group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 31.

19. Prepayments

Prepayments include an advance payment of €439 thousands (2009: €3.9 Million) given to one of the Group's suppliers which is recoverable by December 2014 at the latest. The reduction in the value of prepayments is due to an impairment charge against this advance payment.

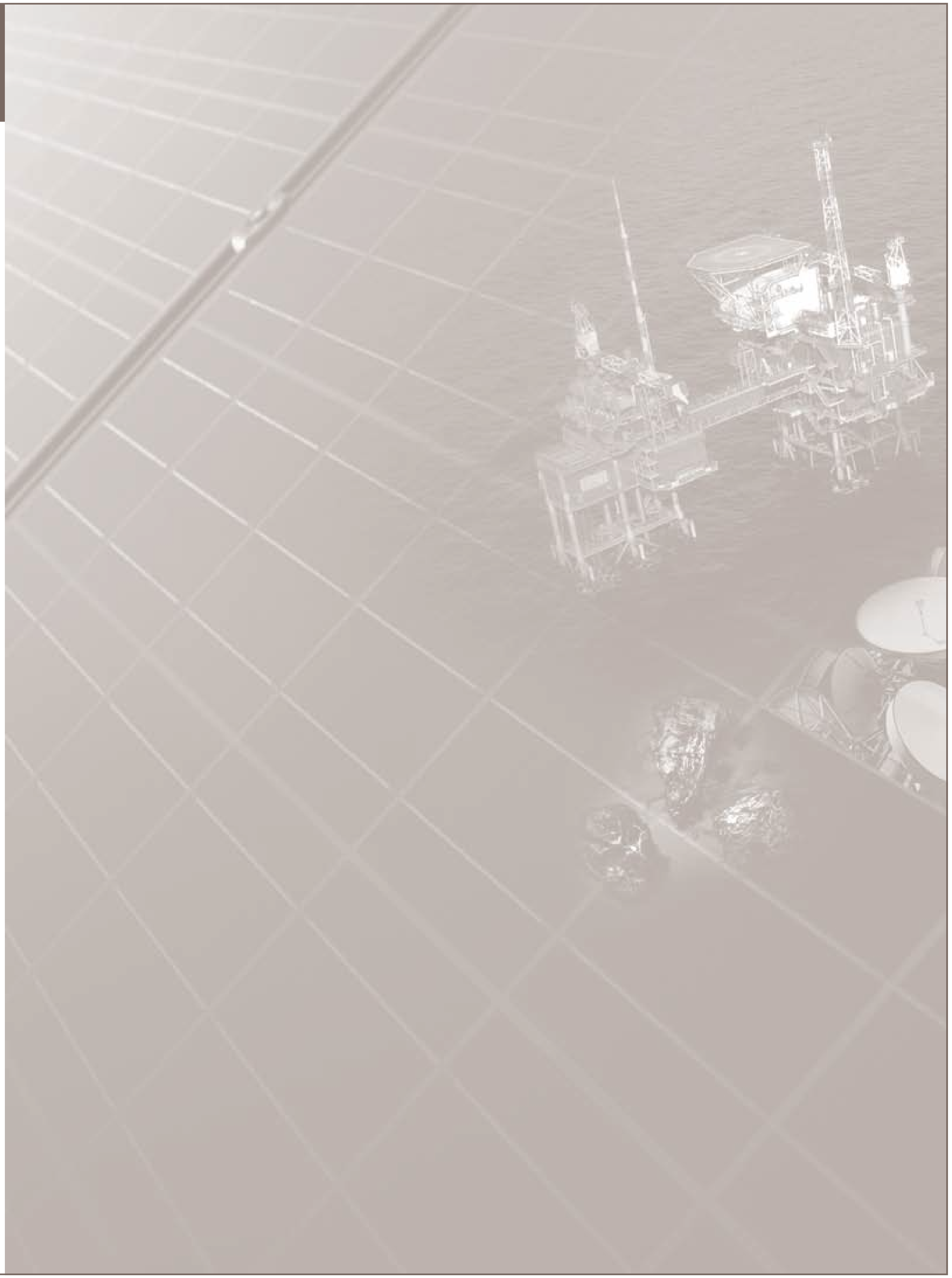
20. Cash and cash equivalents

In thousands of euro	2010	2009
Bank balances	116,193	49,110
Restricted cash	6,362	8,848
Cash and cash equivalents	**122,555**	**57,958**
Lannion (previously presented as held for sale)	-	869
Bank overdrafts included in loans and borrowings	(413)	(592)
Cash and cash equivalents used in the statement of cash flows	**122,142**	**58,235**

Restricted cash

Restricted cash in 2010 comprise amounts used as cash collateral in relation to bank guarantees issued by the Group companies to customers. These amounts are expected to be released over the following periods:

In millions of euro	2010	2009
Within 1 years	3.9	4.6
Between 2-3 years	1.9	3.7
After 4 years	0.6	0.5
Total	**6.4**	**8.8**



21. Capital and reserves

Share capital

In number of shares	Founding shares	Ordinary Public shares	Ordinary Class A shares	Ordinary Class B shares	Sub-total	Treasury shares	Total shares
Issued at 31 December, 2008	**6,250,000**	**25,000,000**	**-**	**-**	**31,250,000**	**-**	**31,250,000**
Redemption of shares	-	(2,915,920)	-	-	(2,915,920)	-	(2,915,920)
Issued due to business combination	-	-	9,604,465	9,604,466	19,208,931	-	19,208,931
Issued due to earn out[2]	-	-	1,250,000	1,250,000	2,500,000	-	2,500,000
Transfer to Treasury shares	-	-	(1,250,000)	(1,250,000)	(2,500,000)	2,500,000	-
Issued on exercise of warrants	-	25,000	-	-	25,000	-	25,000
Issued at 31 December, 2009	**6,250,000**	**22,109,080**	**9,604,465**	**9,604,466**	**47,568,011**	**2,500,000**	**50,068,011**
Transfer to ordinary shares[1]	(6,000,000)	25,208,931	(9,604,465)	(9,604,466)	-	-	-
Treasury shares from founders[3]	(250,000)	-	-	-	(250,000)	250,000	-
Transferred to executives on termination[4]	-	150,000	-	-	150,000	(150,000)	-
Issued on exercise of warrants	-	168,013	-	-	168,013	-	168,013
Adjustments on release of tax escrow shares	-	(5)	-	-	(5)	5	-
Issued at at 31 December, 2010	**-**	**47,636,019**	**-**	**-**	**47,636,019**	**2,600,005**	**50,236,024**

[1] The A and B shares were issued on the acquisition of AEG PS on September 10, 2009. Both classes were restricted for a period of 6 and 12 months respectively from the date of acquisition, during which time they could not be traded. The restrictions on the A and B shares were lifted in March and September 2010 respectively, and can now be traded as ordinary public shares. Following the first anniversary of the acquisition of AEG, the restrictions on the trading of the founding shares were lifted and accordingly these have been transferred to ordinary shares

[2] The earn-out shares treated as Treasury shares relate to 2,500,000 shares (50% in class A and 50% in class B shares) issued on acquisition of AEG PS for the purposes of an earn-out agreement entered into between the Company and the former AEG PS shareholders. The earn-out shares were held in escrow at either year-end. The earn-out is subject to the achievement of certain adjusted EBITDA targets in respect of fiscal years 2009, 2010 and 2011. Any earn-out shares not distributed to the former AEG PS shareholders will be returned to the Company and may be used for other corporate purposes.

[3] The number of Treasury shares increased through the transfer of 250,000 of shares from the Founders to the Company in settlement of certain acquisition-related expenses. The effect of the transfer was to reduce goodwill on the acquisition of AEG PS and to reduce equity by the same amount.

[4] During the year, 100,000 and 50,000 shares respectively were issued from Treasury shares to Messrs Brock and Huljak following the termination of their employment contracts (note 32).

At the Extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at €12,520,006 by conversion of the same amount from the share premium account. The issued share capital of the Company was therefore fixed at €12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). The authorised share capital of the Company was set at 150,240,072 shares.

21. Capital and reserves (continued)

Share capital (continued)

At the EGM held on December 14, 2010, the shareholders voted to amend the classes of shares of the company to create a single class as provided in the share purchase agreement of 10 September 2009. Shareholders' rights have not been modified and the total number of shares remains the same. All shares of the company are now ordinary shares.

On 17 December, 2010 the Company's shares were admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. This was in addition to the Company's listing on the Euronext market, Amsterdam (ticker 3WP). Warrants in the Company are listed on the Euronext (ticker 3WPW).

In thousands of euro	*Share Capital*
1 January, 2010	**-**
Conversion of share premium into share capital	
50,236,024 ordinary public shares	12,520
31 December, 2010	**12,520**

In thousands of euro	*Share premium*
1 January, 2009	**212,448**
Redemption of 2,916,420 ordinary public shares	(29,399)
Issue of 25,500 ordinary public shares	216
Issue of 1,250,000 class A shares	12,188
Issue of 1,250,000 class B shares	12,187
Issue of 9,604,465 class A shares	93,644
Issue of 9,604,466 class B shares	93,644
31 December, 2009	**394,928**
1 January, 2010	**394,928**
Conversion of share premium into share capital	(12,520)
Issue of 168,013 shares in relation to exercised warrants	1,428
31 December, 2010	**383,836**

In thousands of euro	*Treasury shares*
1 January, 2009	**-**
2,500,000 ordinary shares	(24,375)
1 January, 2010	**(24,375)**
Transfer of 250,000 Founder shares to the Company	(2,150)
150,000 shares issued to executives on termination	1,290
31 December, 2010	**(25,235)**

21. Capital and reserves (continued)

Share capital (continued)

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At 31 December, 2010 the Company held 2,600,005 (2009: 2,500,000) of its own shares with an aggregate cost of €25,235 thousands (2009: €24,375 thousands).

No dividends were declared or paid by the Company in 2010 and 2009.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

22. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the result attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Loss/profit attributable to ordinary shareholders

In thousands of euro	2010	2009
Loss for the period attributable to ordinary shareholders	(84,503)	(27,419)

Weighted average number of ordinary shares	2010	2009
In number of shares		
Issued ordinary shares at 31 December	47,636,019	47,568,011
Effect of shares issued	-	(13,262,056)
Effect of warrants issued	(40,915)	(23,612)
Effect of shares transferred to the Company	128,771	-
Effect of shares issued from Treasury shares	(122,877)	-
Effect of shares redeemed	-	2,013,528
Weighted average number of ordinary shares	**47,600,998**	**36,295,871**
Basic (loss)/earnings per share	**(1,78)**	**(0,76)**

Diluted earnings per share and restatement of 2009 diluted loss per share

In evaluating diluted earnings per share the effects of instruments that could potentially dilute basic earnings per share were considered. Such instruments include the outstanding warrants (note 26), the shares held in Treasury by the Company (note 21) and the shares awarded (but not yet vested) to Directors and other executives (note 32). The effect of these instruments would have been to reduce the reported basic loss per share. Accordingly, under IAS 33 the diluted loss per share is deemed to be the same as the basic loss per share.

The previously reported diluted loss per share in 2009 was €0.28 per share. This has been restated to a loss per share of €0.76 after taking into account the fact that the dilutions in 2009 also had the effect of reducing the loss per share.

23. Loans and borrowings

Details of the Group's loans and borrowings are as follows:

In thousands of euro	2010	2009
Non-Current		
Notes Payable	96,794	-
Unsecured government loans	664	-
Unsecured bank loans	368	-
Total non-current	**97,826**	**-**
Current		
Unsecured government loans	62	62
Unsecured bank loans	98	-
Bank overdrafts	413	592
Obligations under receivable factoring arrangements	17,214	10,094
Short term bridge loans	5,000	-
Others	10	-
Total current	**22,797**	**10,748**
Grand total of current and non-current	**120,623**	**10,748**

The main terms and conditions of outstanding loans and borrowings were as follows:

In thousands of euro	Currency	Nominal interest rate %	Year of maturity	Nominal value 2010	Carrying Amount 2010	Nominal value 2009	Carrying Amount 2009
Notes Payable[1]	Eur	9.250	2015	100,000	96,794	-	-
Unsecured government loans[2]	Eur	-	2021 & 2022	726	726	62	62
Unsecured bank loan[3]	Eur	-	2013	200	166	-	-
Unsecured bank loan[3]	Eur	Euribor + 2.5	2015	300	300	-	-
Short term bridge loans[4]	Eur	3.5	2011	5,000	5,000	-	-
Bank overdrafts[5]	Eur	1.89 - 3.11	2011	413	413	592	592
Obligations under receivable factoring arrangements[6]	Eur	Various	-	17,214	17,214	10,094	10,094
Others	Eur	-	2011	10	10	-	-
Total				**123,863**	**120,623**	**10,748**	**10,748**

Non-current

[1] *Unsubordinated Notes payable EUR 100,000,000, effective interest 10.11%, due December 1, 2015.*

On December 1, 2010 the company issued loan notes (the "Notes") with a nominal value of €100 million. The notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to EUR 3,250,000. The Notes bear interest from and including December 1, 2010 to, but excluding December 1, 2015 at a rate of 9.25 % pa (10.11% effective interest) payable annually in arrears on December 1 of each year. The first interest payment is due on December 1, 2011 and the Notes are redeemable at par on December1, 2015. The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V.

The terms and conditions of the Notes provide that the Company may, at its option, redeem the Notes, in whole but not in part, at any time after the third anniversary of the date of issue at a price of 102% of the principal amount plus accrued interest, and at any time after the fourth anniversary at a price of 101% of the principal amount plus accrued interest. The terms and conditions further provide that the Noteholders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company.

The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Loans and borrowings (continued)

Other non-current loans

[2] The government loans are interest free and are repayable by annual instalments of €62 thousands.

[3] There are two unsecured bank loans with a nominal value of €200 thousands (0% interest) and €300 thousands (interest at Euribor + 2.5%). The carrying amounts at 31 December, 2010 were €166 thousands and €300 thousands respectively. The loans are repayable by monthly instalments over a period of 3 and 5 years respectively.

Current

[4] Bridging loans

In July 2010 the Group obtained two short term bank bridge loans of €5.0 million each for the purpose of funding the constructions of the Group's solar power generation farms in Italy. The loan presented above bears interest at 3.5 % and expires on April 30, 2011. The other loan of €5.0 million is included within liabilities held for sale (see note 7). Both loans are repayable on demand and are guaranteed by AEG Power Solutions B.V.

[5] *Bank overdraft*

The bank overdraft is held by one of the Group's subsidiaries. Interest on the overdraft is charged at rates between 1.89% and 3.11%.

[6] *Obligations under receivable factoring arrangements*

The Group has entered into financing agreements which provide for trade receivable financing facilities in France, Italy and Spain, up to a maximum of €30.3 million at 31 December, 2010. These finance facilities are secured by trade account receivables. The interest conditions for these finance facilities vary between Euribor plus a margin between 0.65% and 1.75% and fixed interest rates between 2.0% and 2.9%. The facilities have no fixed expiry date but most are renewable annually.

24. Employee benefits

In accordance with the laws and customs of each country, the Group provide pension and retirement benefits to its employees. In France, the employees benefit from a retirement & indemnity plan. In other countries, the plans depend upon local legislation, the business and the historical practice of the subsidiary concerned.

In addition to state pension plans, the Group operates defined contribution and defined benefit plans. In the latter case, the plans are wholly or partially funded by assets solely to support such plans.

The following pre-tax employee benefit expenses have been recognized:

In thousands of Euros	2010	2009
Defined contribution plans	1,581	1,084
Defined benefit plans	1,641	522
Other	255	319
Total pre-tax employee benefit costs	**3,477**	**1,925**

Defined contribution plans

In certain countries, notably in France and Italy, the Group participates in state plans for which contributions expensed correspond to the contributions due to the state organizations. State plans are considered to be defined contribution plans.

For defined contribution plans, the benefits paid out depend solely on the amount of contributions paid into the plan and the investment returns arising from contributions. The Group's obligation is limited to the amount of contributions paid.

Defined benefits plans

Independent actuaries calculate annually the Group's obligation in respect of defined benefit plans, using the projected unit credit method. Actuarial assumptions comprise mortality, rates of employee turnover, projection of future salary levels and revaluation of future benefits. Future estimated benefits are discounted using discount rates appropriate to each country. These plans have different characteristics:

- Perpetual annuity: the retirees benefit from the receipt of a pension during their retirement. These plans are to be found primarily in Germany and The Netherlands.
- Lump-sum payments on the employee's retirement or departure: these plans are to be found primarily in France and Italy.

24. Employee benefits (continued)

Defined benefits plan (continued)

Actuarial gains and losses are recognized as income or expense in accordance with "the corridor" method under which net cumulative gains and losses exceeding the greater of 10% of the present value of the defined benefit obligations and 10% of the fair value of the plan assets are amortized as income or expense over the expected average remaining working lives of the employees participating in those plans.

Assumptions

To determine actuarial valuations, actuaries for the Group have determined general assumptions on a country-by-country basis and specific assumptions (rate of employee turnover, salary increases) company by company.

The principal assumptions used to calculate the defined obligation as of 31 December, 2010 by the main geographical segments are as follows:

	Discount Rate %	Future Salary increases %	Future Pension increases %
France	4.20	1.75-3.00	-
Germany	5.10	2.00	2.00

Both pension schemes in France and Germany are unfunded.

The expected return on plan assets in the region with the most significant plan assets (Netherlands) is assumed to be equal to the discount rate 4.8 % (2009:5.2%). The plan assets are invested in generic funds held by insurance companies and comprise equity securities, debt securities with fixed and variable interest rate and real estate.

The mortality tables used for the group's major schemes are:

- France: INSEE F 2003-2005
- Germany: Richttafeln 2005 G

The components of net periodic costs for the year ended 31 December, are as follows:

In thousands of euro	2010	2009
Service costs	877	93
Interest costs	1,040	463
Expected return on plan assets	(81)	(34)
Curtailment	(195)	-
Total net costs	**1,641**	**522**

The interest costs are recorded in financial expenses. Service costs are included in Cost of sales and Selling, General and Administrative expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Employee benefits (continued)

Defined benefits plans (continued)

The change in the benefit obligation and the net amount recognized and recorded in the consolidated balance sheet is as follows:

In thousands of euro	2010	2009
Total benefit obligation at 1 January	20,009	-
Acquisition through business combinations	-	19,830
Transferred from assets held for sale	690	-
Service cost	877	93
Interest cost	1,040	463
Actuarial loss	248	49
Benefits paid	(933)	(426)
Curtailment	(195)	-
Total benefit obligation at 31 December	**21,736**	**20,009**

The movement in the present value of plan assets is:

In thousands of euro	2010	2009
Fair value of plan assets at 1 January	974	-
Fair value of plan assets on acquisition of AEG Power Solutions	-	918
Contributions paid into the plan	1,168	28
Benefits paid by the plan	(933)	(29)
Expected return on plan assets	81	34
Actuarial gains / (loss)	(85)	23
Other costs	-	-
Fair value of plan assets at 31 December	**1,205**	**974**

Reconciliation of funded status at 31 December

In thousands of euro	2010	2009
Fair value of plan assets	1,205	974
Benefit obligation	(21,736)	(20,009)
Funded status (plan assets less benefit obligations)	(20,531)	(19,035)
Unrecognized net actuarial loss	359	26
Accrued liability at 31 December	**(20,172)**	**(19,009)**

At 31 December 2010, there are no unrecognized actuarial gains in excess of the greater of either 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets.

The movement in the actuarial gains and losses is as follows:

In thousands of euro	2010	2009
Opening balance at 1 January	26	-
Actuarial loss associated with benefits	248	49
Actuarial loss / (gains) associated with assets	85	(23)
Total net actuarial loss	**359**	**26**

24. Employee benefits (continued)

Defined benefits plans (continued)

Historical information

In thousands of euro	2010	2009
Present value of the defined benefit obligation	21,736	20,009
Fair value of plan assets	1,205	974
Funded status (plan assets less benefit obligations)	**(20,531)**	**(19,035)**

The group expects €1,076 thousands in contributions to be paid to its defined benefits plans in 2011.

Other benefit plans

Employee benefits include €3,810 thousands (2009: € 3,560 thousands) for other benefits plans. This includes €2,546 thousands (2009: € 2,718 thousands for "Altersteilzeitverträgen", a scheme in Germany under which employees can seek early retirement, and a further €1,264 thousands 2009: €842 thousands) for long-service awards. Such awards are granted to employees on retirement based on their length of service, grade and salary and are determined by an independent actuarial calculation.

25. Provisions

In thousands of euro	Warranty	Restructuring	Others	Total
Balance at 1 January, 2009	-	-	-	-
Assumed in the business combination	7,616	118	685	8,419
Provisions made during the year	927	2,878	135	3,940
Provisions used during the year	(601)	(432)	(577)	(1,610)
Other	8	-	-	8
Balance at 31 December, 2009	**7,950**	**2,564**	**243**	**10,757**
Balance at 1 January, 2010	**7,950**	**2,564**	**243**	**10,757**
Assumed in business combination	45	-	-	45
Transferred from liabilities held for sale	313	3,832	32	4,177
Provisions made during the year	2,897	18,771	14	21,682
Provisions used during the year	(1,806)	(7,089)		(8,895)
Other	52	183		235
Balance at 31 December, 2010	**9,451**	**18,261**	**289**	**28,001**

Restructuring

Restructuring charges relate primarily to the estimated costs of implementing changes as part of the Agenda 2012 project. The charges are mainly for employee termination benefits and include €3.4 million in respect of severance for Directors and other managers (note 32). The restructuring will primarily affect EES activities in France and Malaysia with smaller adjustments also planned at other locations. The restructuring includes downsizing of operations through outsourcing and transfer of activities.

Restructuring costs expensed were recognized in the statement of income in other operating expenses.

Warranty

The warranty provision is based on estimates made from historical data regarding warranty costs associated with similar products and services.

All of the above provisions are due within 1 year with the exception of warranty. The Group's warranty terms exceed one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Warrants

The change in fair value of the warrants is recorded through the income statement as financial income or cost. The movement of the outstanding warrants was as follows:

In thousand of warrants	Sponsor warrants	Public warrants	Total
Issued at 1 January, 2009	**6,000**	**25,000**	**31,000**
Exercise of warrants	-	(25)	(25)
Issued at 1 January, 2010	**6,000**	**24,975**	**30,975**
Exercise of warrants	-	(168)	(168)
Issued at 31 December, 2010	**6,000**	**24,807**	**30,807**

Each warrant entitles the holder to purchase one ordinary public share at a price of €7.50. The warrants are traded on Euronext Amsterdam under the symbol 3WPW. At the reporting date the market price of the warrants was €0.20 per warrant (2009: €1.00 per warrant). The warrants expire on 21 July, 2012. During the year 168,013 warrants were exercised for cash. In aggregate the warrant holders paid the Company €1,260,098 in exchange for 168,013 ordinary public shares.

27. Trade and other payables

In thousands of euro	2010	2009
Trade accounts payable	59,701	36,957
Accrued salaries and wages	12,885	13,318
Accrued taxes and vat payable	1,326	1,601
Accrued Social security charges	4,273	1,656
Accrued interest on Notes payable	771	-
Others	7,800	6,327
Total	**86,756**	**59,859**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

28. Deferred income

Deferred income relates mainly to customer deposits and advances of €35.0 (2009: €32.1) million in connection with projects in progress.

29. Contractual obligations and off-balance sheet commitments

Contractual cash obligations

The following table presents minimum payments that the Group will have to make in the future under contracts and firm commitments. Amounts related to capital lease obligations are fully reflected in the consolidated balance sheet.

31 December, 2010

In thousands of euro	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Operating leases	4,869	4,808	1,592	644	11,913
Unconditional purchase obligations	26,060	193	-	-	26,253
Total	**30,929**	**5,001**	**1,592**	**644**	**38,166**

The unconditional purchase obligations are related to the requirements to place firm commitments for components for the manufacturing of Group products. A significant portion of the purchase obligations relate to specific customer orders. Rental expenses under operating leases amounted to €5.5 million in 2010 (€1.4 million in 2009).

29. Contractual obligations and off-balance sheet commitments (continued)

Other commitments

31 December, 2010

In thousands of euro	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Guarantees	33,242	11,080	447	264	45,033

Commitments on customer contracts relate to bonds and guarantees issued and are shown net of bonds and guarantees secured by cash collateral.

Trademark License Agreement

With effect from 1 July, 2008, AEG PS entered into a trademark license agreement (the "AEG License") with AB Electrolux which granted the Company the right to use the AEG PS trademark for an initial term of ten years. An annual royalty is payable based on a percentage of the net selling price of the respective trademark product, subject to a minimum royalty of €3.268 million for 2011, €3.939 million for 2012, €5.390 million for 2013 and €6.723 million for 2014. AEG PS and Electrolux amended the AEG License on 27 July, 2010 to expand the range of products covered by the license and to set sale and minimum royalty targets through 2014. For the years 2015 to 2018 the amended agreement provides that the sales targets and minimum annual royalty will be no less than the sales target and minimum royalty from year 2014. The term of the license was also extended until 2028.

30. Contingencies

Management believe that any legal proceedings incidental to the conduct of its business, including employee related actions, are adequately provided for in the consolidated financial statements or will not result in any significant costs to the Group in the future. Apart from the legal proceedings mentioned below, neither the Company nor its subsidiaries are the subject of government interventions or a party to legal, or arbitration proceedings which might significantly affect the Group's profitability. To Management's best knowledge, no such proceedings are pending.

The Group's German subsidiary is currently involved in court proceedings against a customer from which it seeks to recover approximately €36.0 million for delivery of Power Control Systems and Modules for polysilicon reactors under frame agreements entered into on 13 December, 2007 and April 25, 2008. The customer had agreed to order certain quantity of Power Control Systems and Modules by 31 December, 2009 under these agreements. The legal proceedings are currently pending with the Regional Court of Stuttgart, Germany. The customer has filed a counter-claim alleging abuse of dominant market position. The counter-claim is for €12.8 million plus interest in damages. Management believes the counter-claim to be groundless and unsubstantiated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The principal exposure to credit risk at the reporting date was:

In thousands of euro	2010	2009
Trade receivables net of allowance for doubtful accounts	**82,498**	**65,910**

The maximum exposure to credit risk at the reporting date by geographic region was:

In thousands of euro	2010	2009
Germany	21,601	22,522
France	16,589	11,722
Spain	10,839	14,784
Italy	23,296	11,091
United Kingdom	2,156	856
Netherlands	2,830	2,737
United States	162	399
Other regions	7,616	3,952
Total	**85,089**	**68,063**

Impairment losses

The aging of trade and other receivables at the reporting date was:

In thousands of euro	2010 Gross	2010 Impairment	2009 Gross	2009 Impairment
Not past due	74,355	(839)	56,880	(69)
Past due 0-30 days	5,849	(80)	3,883	(20)
Past due 31-120 days	2,646	(276)	2,488	(371)
Past due 121-180 days	598	(254)	3,232	(939)
Past due 181-360 days	1,641	(1,142)	1,580	(754)
Total	**85,089**	**(2,591)**	**68,063**	**(2,153)**

The movement in the allowance for impairment in respect of trade and other receivables during the year was a follows:

In thousands of euro	2010	2009
Balance at 1 January	2,153	-
Acquisition through business combination	2	1,773
Transfer from assets held from sale	47	-
Utilisation of impairment reserve	(1,049)	-
Impairment loss recognized	1,405	380
Other	33	-
Balance at 31 December	**2,591**	**2,153**

Other assets of the Group which can be exposed to potential credit risk include other current assets, prepayments and holdings of cash and cash equivalents. The value of these items is shown on the statement of financial position or in the notes to the consolidated financial statements. Based on historic default rates and specific review of receivables, the Group believes that, apart from the above, no further impairment allowance is necessary.

31. Financial instruments (continued)

Liquidity risk

The liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow generation and sufficient access to capital markets is assured to finance organic long term growth, capital expenditures, working capital requirements, and expected operational expenses. The table below shows the Group's net position to finance its obligations due within one year at 31 December:

In thousands of euro	2010	2009
Trade and other payables	86,756	59,859
Current income tax liabilities	652	16,129
Short term provisions	18,550	2,807
Total	**105,958**	**78,795**
Purchase commitments	26,060	24,064
Operating leases	4,869	2,509
Guarantees on customer contracts	43,242	4,664
Total	**74,171**	**31,237**
Total obligations	**180,129**	**110,032**
Financing resources:		
Cash and cash equivalents, excluding restricted cash	116,192	49,110
Trade and other receivables	94,751	70,732
Loans and borrowings	(22,797)	(10,748)
Total	**188,146**	**109,094**
Net position	**8,017**	**(938)**

The table below summarizes the projected contractual cash flows based on the maturity profile of the group's interest bearing loans and borrowings as at 31 December. This maturity profile excludes the liabilities held for sale.

In thousands of euro	Within 1 Year	2 - 5 years	After 5 years	Total
Maturity profile:				
Discounted receivables	(17,214)	-	-	(17,214)
Notes Payable	-	(100,000)	-	(100,000)
Short term loan payable	(5,000)	-	-	(5,000)
Unsecured debt	(204)	(616)	(416)	(1,236)
Bank Overdraft	(413)	-	-	(413)
Total	**(22,831)**	**(100,616)**	**(416)**	**(123,863)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial instruments (continued)

Currency risk

The Group's exposure to foreign currency risk based on the following net amounts as at 31 December, 2010 was:

In thousands of euro	EUR	USD	GBP	SGD	MYR	Other
Cash	118,195	2,078	268	732	78	1,204
Trade receivables	79,128	7,917	2,679	2,272	137	2,618
Prepayments	537	81	-	-	1	68
Trade payables	(70,484)	(7,783)	(1,198)	(2,498)	(1,344)	(3,449)
Deferred income	(32,391)	(1,814)	(277)	(71)	-	(410)
Short and long term debt	(118,169)	(2,454)	-	-	-	-
Warrants	(6,161)	-	-	-	-	-
Total	**(29,345)**	**(1,975)**	**1,472**	**435**	**(1,128)**	**31**

The Group is primarily exposed to the euro because of its principal operations in the euro-zone. Other currencies to which the group is exposed include the USD, GBP, SGD or MYR. A change of 5% in any of these currencies would have an impact of no more than €58 thousands on equity or statement of income.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of euro	Notes	2010 Carrying amount	2010 Fair Value	2009 Carrying amount	2009 Fair value
Assets carried at amortized cost					
Trade and other receivables	18	94,751	94,751	70,732	70,732
Cash and cash equivalents	20	122,555	122,555	57,958	57,958
Total		**217,306**	**217,306**	**128,690**	**128,690**
Liabilities carried at amortized cost					
Trade and other payables	27	86,756	86,756	59,859	59,859
Loans and borrowings	23	22,797	22,797	10,748	10,748
Notes payable	23	96,794	96,950	-	-
Total		**206,347**	**206,503**	**70,607**	**70,607**
Liabilities at fair value (through statement of income)					
Warrants	26	6,161	6,161	30,975	30,975

32. Related parties

The Group's subsidiaries have related party relationships with each other and with the Company. These involve trading and other intra-group transactions all of which are carried out on an arm's length basis. Related party relationships also exist with Board members and managers who have an interest in the equity of the Company.

A related party relationship also exists with Directors and other senior managers who receive remuneration from the Group.

Board remuneration and share-based payments

The remuneration of Board members and other senior managers included the following amounts:

Year to 31 December, 2010

In euro	Executive Directors	Non-Executive Directors	Total Directors	Other managers (7 FTE)
Salary, bonuses and short term benefits	1,177,466	-	1,177,466	2,048,155
Severance	1,779,000	-	1,779,000	1,644,300
Post-employment benefits	29,660	-	29,660	271,359
Other long-term benefits	47,178	-	47,178	7,162
Share based payments (including awards on severance)	1,461,832	-	1,461,832	-
Fees	-	90,000	90,000	-
Total	**4,495,136**	**90,000**	**4,585,136**	**3,970,976**

Year to 31 December, 2009

In euro	Executive Directors	Non-Executive Directors	Total Directors	Other managers (6 FTE)
Salary, bonuses and short term benefits	476,385	-	476,385	502,847
Severance	-	-	-	-
Post-employment benefits	8,624	-	8,624	29,166
Other long-term benefits	22,927	-	22,927	7,295
Share based payments (including awards on severance)	342,586	-	342,586	-
Fees	-	32,274	32,274	-
Total	**850,522**	**32,274**	**882,796**	**539,308**

In relation to Board members, salary, bonuses and benefits refer to Directors who held executive positions during the year, namely Mr Brock, Mr Huljak and Dr Kayser. Fees relate to non- executive Directors Mr K Corbin, Mr L Fischer and Prof M Wössner. Prof. Dr. h.c. Berger, Dr. h.c. Middelhoff and Mr Collins received no remuneration during either year.

Severance for Directors relates to Messrs Brock and Huljak both of whom entered into transition agreements with the Company during the year. Under the terms of their agreements Mr Brock and Mr Huljak stepped down from their executive roles on 1 August and 31 December, 2010 respectively and will receive severance payments totalling €1,779,000 between them. This amount will be paid to them over a period of 13 months from the date of their respective severance. Payments made to Messrs Brock and Huljak prior to the date of severance are included in salary, bonuses and other benefits in the table above. On the respective date of severance all shares due to them under their employment contracts became vested. Mr Brock and Mr Huljak were entitled to 100,000 and 50,000 shares respectively and both of these awards were made to them during the year. The total cost of the share awards recognized in these consolidated financial statements in respect of Messrs Brock and Huljak is €1,119,914.

In May 2010 the Company announced the appointment of Dr. Horst J. Kayser as new Chief Executive with effect from 1 August, 2010. Under his service agreement, Dr. Kayser is entitled to receive 40,000, 30,000 and 30,000 shares in the Company on the first, second and third anniversary of his joining the Company respectively.

Other managers of the Group are entitled to a total of 30,000 shares in the Company under their employment contracts.

32. Related parties (continued)

Related party interests in the equity of the Company

The interests of Directors and related parties in the shares and warrants of the Company at 31 December, 2010 were as follows:

	Shares						Warrants
No. of shares/warrants	Mr B. Brock, Mr R. Huljak and Brock Trust	Ripplewood	AEG PS manag't	Dr. H. J. Kayser	Founders	Total	Founders
Issued shares/warrants	2,637,427[1]	15,189,060	377,097	2,500	5,698,518	23,904,602	6,500,000
Escrow shares – earn out[2]	323,733	1,976,823	49,502	-	-	2,350,058	-
Total	**2,961,160**	**17,165,883**	**426,599**	**2,500**	**5,698,518**	**26,254,660**	**6,500,000**

[1] The shares under Brock and Brock Trust include 150,000 shares awarded to Messrs Brock and Huljak under the transition arrangements referred to in the section on Board remuneration above.

[2] The earn-out shares were held in escrow at 31 December, 2010 and 31 December, 2009 and had not been distributed to the sellers. The number of shares shown under each seller in the table above is based on the number of shares that would have been allocated had the shares been distributed at 31 December, 2010 pro rata to the existing shareholding of each seller. The total number of shares held in escrow for earn out is 2,500,000. The difference between these and the number shown in the table above relates to shares attributable to former AEG PS shareholders other than Ripplewood, Brock and AEG PS management.

Founders refer to Prof. Dr. h.c. Berger and Dr. h.c. Middelhoff who are also Directors of the Company. Prof. Berger is the beneficial owner of 4,104,667 shares and 4,000,000 warrants while Dr. Middelhoff holds 1,593,851 shares and 2,500,000 warrants.

Ripplewood is the former majority owner of AEG PS and refers to Ripplewood Power Systems I L.L.C. and Ripplewood Power Systems II L.L.C., US Limited Liability Companies (LLCs) of which Mr Collins is the controlling shareholder.

Brock Trust refers to a US LLC controlled by Mr Brock and in which Mr Huljak has a minority holding. Included in the 2,637,427 shares under Brock and Brock Trust are shares held directly by Messrs Brock (1,134,014 shares) and Huljak (200,240 shares). These include the shares awarded to them under the transition arrangements referred to earlier.

AEG PS management refers to current members of the AEG PS management other than Directors.

Mr K Corbin, Mr L Fischer and Prof M Wössner did not have any interest in the shares or warrants of the Company at either year end.

2,500,000 shares are held in escrow on behalf of the former owners of AEG PS (the Sellers). These relate to earn-out shares that will be distributed to the former AEG PS shareholders subject to the achievement of certain adjusted EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The number of earn-out shares attributable to those Sellers who are considered as related parties and disclosed above is 2,350,058. Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

A further 500,000 shares were previously held in escrow pending the determination of a tax audit of AEG Power Solutions GmbH, the Company's subsidiary in Germany. The audit was completed in 2010 and the shares were distributed to the former shareholders of AEG PS in October 2010. A total of 499,995 shares were distributed to the former owners of AEG PS with 5 shares returned to the Company and treated as Treasury shares.

32. Related parties (continued)

Other transactions with related parties

During the year, the Group received consulting services from Roland Berger Strategy Consultants (RBSC), a firm in which Prof. Berger has a minority interest but holds no executive position. The value of the services was €1.7 million. Prof. Berger had no influence over the selection of RBSC or the scope of the services or the price of the work.

33. Auditors' fee

The fees of the principal auditor KPMG of the group were as follows:

In thousands of euro	2010	2009
Audit services	800	680
Audit related services	437	5
Other services related to taxation	337	45
Other fees	34	-
Total	**1,608**	**730**

34. Group entities

Subsidiaries

In thousands of euro		Country of incorporation	Ownership interest 2010	2009
PSS Holdings (France) S.A.S.		France	100	100
AEG PS S.A.S.		France	100	100
AEG PS (France) S.A.S.		France	100	100
AEG PS GmbH		Germany	100	100
AEG PSS Sönewitz GmbH		Germany	100	100
Skytron Energy GmbH		Germany	75	-
AEG PS Ltd		United Kingdom	100	100
RD Power Ltd	Liquidated on 27 August 2010	United Kingdom	-	100
Harmer & Simmons Holdings Ltd	Liquidated on 27 August 2010	United Kingdom	-	100
Harmer & Simmons Ltd	Liquidated on 27 August 2010	United Kingdom	-	100
PSS Finance Company (UK) Ltd	Liquidated on 27 August 2010	United Kingdom	-	100
AEG PS Iberica SL		Spain	100	100
AEG PS S.p.A.		Italy	100	100
Energie Mediterranee S.R.L.		Italy	100	-
AEG PS Pte Ltd		Singapore	100	100
AEG PS (Penang) SDN BHD		Malaysia	100	100
AEG PS SDN BHD		Malaysia	100	100
AEG PS USA, Inc.		USA	100	100
AEG PS Inc		Canada	100	100
AEG PS (Russia) LLC		Russia	100	100
AEG PS Co.		China	100	100
AEG PS (India) PVT Ltd		India	100	100
3W Power Holdings B.V.		The Netherlands	100	100
AEG Power Solutions B.V.		The Netherlands	100	100
AEG PS Aram. Kft.		Hungary	100	100
AEG PS Spol S.R.O.		Czechoslovakia	100	100

35. Subsequent events

On March 8, 2011 the Group announced the acquisition of OpciónDos, a company based in Spain and engaged in the integration of photovoltaic technologies in industrial and commercial buildings.

To the Shareholders of
3W Power Holdings S.A.
19, rue Eugène Ruppert
L-2453 Luxembourg

KPMG

Report of the Réviseur d'entreprises agréé

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 7 May 2010, we have audited the accompanying consolidated financial statements of 3W Power Holdings S.A., which comprise the consolidated statement of financial position as at 31 December, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 43 to 100.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements as set out on page 43 to 100 give a true and fair view of the consolidated financial position of 3W Power Holdings S.A. as of 31 December, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Director's report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, 30 March 2011

KPMG Audit S.à r.l.
Cabinet de révision agréé

Ph. Meyer

KPMG Audit S.à r.l
9, allée Scheffer
L-2520 Luxembourg

Cabinet de révision agréé
R.C.S. Luxembourg B 103 590
Capital social EUR 25.000
TVA LU LU20379877

Company statement of financial position

For the year ended 31 December

In thousands of euro	Note	2010	2009
Assets			
Shares in affiliated undertakings	7	409,461	414,025
Loans[1] in affiliated undertakings	8	10,000	-
Total non-current issues		**419,461**	**414,025**
Trade and other receivables	9	56	1,152
Cash and cash equivalents	10	83,876	599
Total current assets		**83,932**	**1,751**
Total assets		**503,393**	**415,776**
Liabilities			
Loans and borrowings	11	96,794	7,100
Total non-current liabilities		**96,794**	**7,100**
Trade and other payables	12	454	822
Loans and borrowings	11	895	59
Warrants	13	6,161	30,975
Total current liabilities		**7,510**	**31,856**
Total liabilities		**104,304**	**38,958**
Equity			
Share capital	14	12,520	-
Share premium	14	383,836	394,928
Reserve for own shares	14	(25,235)	(24,375)
Retained earnings		27,968	6,267
Total equity attributable to equity holders of the Company		**399,089**	**376,820**
Total equity and liabilities		**503,393**	**415,776**

The Company financial statements on pages 102 to 116 were approved by the Board of Directors on 30 March 2011 and signed on its behalf by:

Dr. Horst J. Kayser

The notes on pages 106 to 116 are an integral part of these consolidated financial statements.

COMPANY FINANCIAL STATEMENTS

WCompany statement of comprehensive income

For the year ended 31 December

In thousands of euro	Note	2010	2009[1]
Administrative expenses	5	(2,242)	(1,517)
Loss from operating activities		**(2,242)**	**(1,517)**
Finance income	6	24,718	3,838
Finance costs	6	(947)	(15,262)
Net finance (costs)/income		**23,771**	**(11,424)**
(loss)/profit before income tax for the period		**21,529**	**(12,941)**
Total comprehensive income/(loss) for the period		**21,529**	**(12,941)**

[1] Restated (note 2)

Income and expenses for the year / period are derived from continuing operations.

The notes on pages 106 to 116 are an integral part of these consolidated financial statements.

Company statement of changes in equity

Equity attributable to holders of the Company

For the year ended 31 December, 2010

In thousands of euro	Share capital	Share premium	Reserve for own shares	Retained earnings	Total equity
Balance at 1 January 2009	**-**	**212,448**	**-**	**18,865**	**231,313**
Total comprehensive income /(loss) for the period	-	-	-	(12,941)	(12,941)
Redemption of 2,916,420 ordinary redeemable shares	-	(29,399)	-	-	(29.399)
Exercised warrants (25,500 ordinary shares issued)	-	216	-	-	216
Issue of 9,604,465 class A shares	-	93,644	-		93.644
Issue of 9,604,465 class B shares	-	93,644	-	-	93.644
Treasury shares	-	24,375	(24,375)	-	-
Share based payments	-	-	-	343	343
Total transactions as restated[1]	**-**	**182,480**	**(24,375)**	**(12,598)**	**145,507**
Balance at 31 December 2009 as restated	**-**	**394,928**	**(24,375)**	**6,267**	**376,820**
Balance at 1 January 2010	**-**	**394,928**	**(24,375)**	**6,267**	**376,820**
Total comprehensive income/(loss) for the period	-	-	-	21,529	21,529
Transfers to share capital from share premium	12,520	(12,520)	-	-	-
Excercised warrants (168,013 ordinary shares issued)	-	1,428	-	-	1,428
Increase in treasury shares	-	-	(2,150)	-	(2,150)
150,000 shares transferred from treasury shares	-	-	1,290	(1,290)	-
Share based payments	-	-	-	1.462	1,462
Total transactions	**12,520**	**(11,092)**	**(860)**	**21,170**	**22,269**
Balance at 31 December 2010	**12,520**	**383,836**	**(25,235)**	**27,968**	**399,089**

[1] Restated (note2)

The notes on pages 106 to 116 are an integral part of these consolidated financial statements.

COMPANY FINANCIAL STATEMENTS

Company statement of cash flows

For the year ended 31 December

In thousands of euro	Note	2010	2009
Cash flows from operating activities			
(Loss)/profit for the period		21,529	(12,941)
Adjustments for non-cash items			
Change in fair value of warrants	6	(24,645)	15,190
Charge for share-based payments	5	1,461	343
Deferred financing fees		44	-
Finance (expense)/income (net)		973	(3,766)
Cash flow from/(used in) operations before changes in working capital changes		**(638)**	**(1,174)**
Change in trade and other receivables		1,096	(1,062)
Change in trade and other payables		(278)	673
Change in deferred expenses		(85)	(542)
Cash generated from/(used in) operating activities		**733**	**(931)**
Net cash from operating activities		**95**	**(2,105)**
Cash flows from investing activities			
Investment in subsidairy	7	2,414	(226,737)
Net cash used operating activities		**2,414**	**(226,737)**
Cash flows from financing activities			
Interest paid / received (net)		(142)	3,825
Proceeds from issue of share capital and warrants		1,260	191
Share redemptions		-	(29,399)
Net proceeds of notes payable	11	96,750	-
Share issuance costs		-	(4,772)
Loan from AEG PS BV	11	(7,100)	7,100
Loan to AEG PS BV	8	(10,000)	-
Net cash from (used in) financing activities		**80,768**	**(23,055)**
Net (decrease) / increase in cash and cash equivalents		**83,277**	**(251,897)**
Cash and cash equivalents at beginning of period		599	252,496
Cash and equivalents at 31 December 2010	**10**	**83,876**	**599**

The notes on pages 106 to 116 are an integral part of these consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General information

On May 7 2010, 3W Power Holdings S.A. (the Company) transferred the place of its registered office and its principal place of business from Guernsey to Luxembourg, adopted the Luxembourg nationality and changed its name from German1 Acquisition Limited to 3W Power Holdings S.A. The registered office of the Company is at 19 rue Eugène Ruppert, L-2453 Luxembourg.

The Company is listed on Euronext Amsterdam and is subject to certain parts of the Netherlands Supervision Act (Wet op het Financieel Toezicht).

As per 17 December, 2010 the Company commenced the trading of its shares also on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB). As at 31 December, 2010 shares issued by the Company are listed on the Frankfurt stock exchange (ticker: 3W9) and Euronext Amsterdam. Warrants are listed on the Euronext (ticker: 3WPW).

The Company has applied accounting policies consistently in these separate financial statements and in the consolidated financial statements.

2. Basis of preparation

(a) Statement of compliance

The Company adopted early the option granted under the law dated December 10, 2010 and has prepared the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

(b) Basis of measurement

The financial statements have been prepared under the historic cost convention, they give a true and fair view and comply with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts.

(c) Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

(d) Use of estimates and judgements

In the application of IFRS, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

(e) Adoption of new and revised IFRS

In the reporting period, the Company adopted the following new and revised IFRS:

Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Statement of Comprehensive Income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the profit or loss.

(f) New standards and interpretations not yet adopted

See note 3, section (s) of the Consolidated financial statements in which the Company describes all standards and interpretations that are not yet adopted.

g) Adjustments to the 2009 audited and published financial statements

In the 2009 Company financial statements the amount of share based payments was reported in the Company statement of comprehensive income. In the 2010 Company financial statements this is taken directly to equity. The 2009 comparative information (Company statement of comprehensive income and Company statement of changes in equity) has been represented accordingly.

3. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets

Financial assets are carried in the balance sheet at purchase cost less impairment. If this valuation would appear to be excessive and reduction to be permanent, such assets would be written down to their realisable value.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Warrants

The fair value of the outstanding warrants is measured at market price by applying the list price of these warrants at the end of the period as traded at the Euronext Amsterdam.

Share based payments

Share based payments are measured by reference to the estimated fair value based on market prices.

4. Significant accounting policies

The accounting policies applied to the company only financial statements are the same as described in note 3 of the consolidated financial statements with the exception of these described below:

5. Administrative expenses

Included in administrative expenses are:

In thousands of euro	2010	2009
Administration, accountancy and trustee fees	151	458
Audit fees	352	135
Compliance and other regulatory fees	-	117
Directors' fees	125	32
Share-based payments to Directors	1,462	343
Legal and professional fees	9	18
Secretarial and trustee fees	6	18
Travel	-	193
Other	137	203
Total administrative expenses	**2,242**	**1,517**

6. Finance income and finance costs

In thousands of euro	2010	2009
Interest income on bank deposits	31	3,838
Interest income on loans	42	-
Net change in fair value of warrants	24,645	-
Finance income	**24,718**	**3,838**
Interest expense on loans and payables	124	59
Interest expense on notes payable	815	-
Net change in fair value of warrants	-	15,190
Other finance costs	8	13
Finance costs	**947**	**15,262**
Net finance income (costs)	**23,771**	**(11,424)**

The above finance income and finance costs include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:

In thousands of euro	2010	2009
Total interest income on financial assets	73	3,838
Total interest expense on financial liabilities	939	59

7. Shares in affiliated undertakings

The Company owns 100 % of AEG Power Solutions BV ("AEG"). AEG PS is a world provider of premium power electronics. It offers comprehensive product and service portfolios in power conversion and control, for customers spanning the infrastructure markets of energy, telecom, lighting, transportation and general industrial sectors. The group has developed a full range of products for the solar energy industry, from solar inverters to turnkey solutions and is investing in solutions that will enable distributed power generation and smart micro-grids

The following summarizes the major classes of consideration transferred at the acquisition date:

Purchase Price Consideration

In thousands of euro	2010	2009
Base cash consideration	200,000	200,000
Share consideration	185,138	187,288
Cash and working capital consideration adjustment	20,084	22,498
Transaction expenses	4,239	4,239
Total purchase price consideration	**409,461**	**414,025**

During 2010 the acquisition price of AEG PS was reduced by €2,150 thousands representing the transfer to the Company of 250,000 Founder shares in settlement of certain transaction-related expenses. Under the agreement for the acquisition of AEG PS, 500,000 shares and €5 million cash were held in escrow pending finalization of the tax audit. The tax audit was concluded in 2010 and the Company received the cash released from the tax escrow. This represents a reduction in the price paid for the acquisition of AEG PS.

Contingent Consideration

The Company has agreed to pay the former shareholders of AEG Power Solutions an additional consideration of maximum €25 million in cash and a maximum of 2.5 million in shares on a 50/50 basis subject to the achievement of certain adjusted EBITDA targets for each of the years 2009, 2010 and 2011. Based on actual results for 2009 and 2010 and projections for 2011, the Board of Directors consider that the earn-out will not be achieved for any of the years in question. Accordingly, both the cash and share elements of the earn-out have been excluded from the determination of the purchase price for the acquisition of AEG Power Solutions.

Should this contingent consideration become probable the amount of the purchase price and goodwill will be adjusted.

Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.

Transaction expense related to the acquisition

In accordance with IFRS 3 (2004) transaction costs directly attributable to the acquisition are included in the cost of the acquisition.

8. Loans to affiliated undertakings

In thousands of euro	2010	2009
Loan to subsidiary	**10,000**	**-**

The loan carries interest at 9.375 % and is repayable on demand.

9. Trade and other receivables

In thousands of euro	2010	2009
Due from shareholder (related party)	42	1,090
Prepayments	14	62
Total trade and receivables	**56**	**1,152**

All receivables are due within 1 year.

10. Cash and cash equivalents

In thousands of euro	2010	2009
Current accounts	33	599
Fixed deposits	83,843	-
Total cash and cash equivalents	**83,876**	**599**

Cash and cash equivalents comprise current accounts and deposits with an original maturity of three months or less.

11. Loans and borrowings

In thousands of euro	2010	2009
Non-Current		
Notes Payable	96,794	-
Loan from subsidiary company	-	7,100
Total non-current	**96,794**	**7,100**
Current		
Accrued interest	895	59
Total current	**895**	**59**
Total loans and borrowings	**97,689**	**7,159**

During the year the Company reimbursed the loan from its subsidiary.
On 1 December 2010 the company issued loan notes (the "Notes") with a nominal value of €100 million. The Notes were bought by pan-European institutional investors and asset managers. Costs of issuing the Notes amounted to EUR 3,250,000. The Notes bear interest from and including 1 December 2010 to, but excluding, 1 December 2015 at a rate of 9.25 % pa (10.11% effective interest) payable annually in arrears on 1 December of each year. The first interest payment is due on 1 December 2011. The Notes will be redeemed at par on 1 December, 2015.The Notes have the benefit of an unconditional and irrevocable guarantee by AEG Power Solutions B.V.

The terms and conditions of the Notes provide that the Company may, at its option, redeem the Notes, in whole but not in part, at any time after the third anniversary of the date of issue at a price of 102% of the principal amount plus accrued interest, and at any time after the fourth anniversary at a price of 101% of the principal plus accrued interest. The terms and conditions further provide that the Noteholders may require an early redemption in whole or in part at 101% of their principal amount plus accrued interest in the event of a change of control of the Company.

11. Loans and borrowings (continued)

The Notes are traded in the Bondm segment of Stuttgart stock exchange as well as in the Open Market of the Frankfurt stock market.

Loans are due as follows:

In thousands of euro	2010	2009
Within one year	895	59
Within two to five years	-	7,100
After five years	96,794	-
Total	**97,689**	**7,159**

12. Trade and other payables

In thousands of euro	2010	2009
Trade payables	**454**	**822**

13. Warrants

The change in fair value of the warrants is recorded through the income statement as financial income or cost. The movement of the outstanding warrants can be detailed as follows:

In thousand of warrants	Sponsor warrants	Public warrants	Total
Issued at 1 January 2009	**6,000**	**25,000**	**31,000**
Exercise of warrants	-	(25)	(25)
Issued at 1 January 2010	**6,000**	**24,975**	**30,975**
Exercise of warrants	-	**(168)**	**(168)**
Issued at 31 December 2010	**6,000**	**24,807**	**30,807**

Each warrant entitles the holder to purchase one ordinary public share at a price of €7.50. The warrants are traded on Euronext Amsterdam under the symbol 3WPW. At the reporting date the market price of the warrants was €0.20 per warrant (2009: €1.00 per warrant). The warrants expire on 21 July, 2012.

During the year 168,013 warrants were exercised for cash. In aggregate the warrant holders paid the Company €1,260,098 in exchange for 168,013 ordinary public shares.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

14. Capital and reserves

Share capital

In number of shares	Founding shares	Ordinary Public shares	Ordinary Class A shares	Ordinary Class B shares	Sub-total	Treasury shares	Total shares
Issued at 31 December 2008	**6,250,000**	**25,000,000**	**-**	**-**	**31,250,000**	**-**	**31,250,000**
Redemption of shares	-	(2,915,920)	-	-	(2,915,920)	-	(2,915,920)
Issued due to business combination	-	-	9,604,465	9,604,466	19,208,931	-	19,208,931
Issued due to earn out[2]	-	-	1,250,000	1,250,000	2,500,000	-	2,500,000
Transfer to Treasury shares	-	-	(1,250,000)	(1,250,000)	(2,500,000)	2,500,000	-
Issued on exercise of warrants	-	25,000	-	-	25,000	-	25,000
Issued at 31 December, 2009	**6,250,000**	**22,109,080**	**9,604,465**	**9,604,466**	**47,568,011**	**2,500,000**	**50,068,011**
Transfer to ordinary shares[1]	(6,000,000)	25,208,931	(9,604,465)	(9,604,466)	-	-	-
Treasury shares from founders[3]	(250,000)	-	-	-	(250,000)	250,000	-
Transferred to executives on termination[4]	-	150,000	-	-	150,000	(150,000)	-
Issued on exercise of warrants	-	168,013	-	-	168,013	-	168,013
Adjustments on release of tax escrow shares	-	(5)	-	-	(5)	5	-
In issue at 31 December, 2010	**-**	**47,636,019**	**-**	**-**	**47,636,019**	**2,600,005**	**50,236,024**

[1] The A and B shares were issued on the acquisition of AEG PS on 10 September, 2009. Both classes were restricted for a period of 6 and 12 months respectively from the date of acquisition, during which time they could not be traded. The restrictions on the A and B shares were lifted in March and September 2010 respectively, and can now be traded as ordinary public shares. Following the first anniversary of the acquisition of AEG, the restrictions on the trading of the founding shares were lifted and accordingly these have been transferred to ordinary shares

[2] The earn-out shares treated as Treasury shares relate to 2,500,000 shares (50% in class A and 50% in class B shares) issued on acquisition of AEG PS for the purposes of an earn-out agreement entered into between the Company and the former AEG PS shareholders. The earn-out shares were held in escrow at either year-end. The earn-out is subject to the achievement of certain adjusted EBITDA targets in respect of fiscal years 2009, 2010 and 2011. Any earn-out shares not distributed to the former AEG PS shareholders will be returned to the Company and may be used for other corporate purposes.

[3] The number of Treasury shares increased through the transfer of 250,000 of shares from the Founders to the Company in settlement of certain acquisition-related expenses. The effect of the transfer was to reduce goodwill on the acquisition of AEG PS and to reduce equity by the same amount.

[4] During the year, 100,000 and 50,000 shares respectively were issued from Treasury shares to Messrs Brock and Huljak following the termination of their employment contracts (see note 32).

At the Extraordinary General Meeting (EGM) held on May 7, 2010, the shareholders voted to set the issued share capital of the Company at €12,520,006 by conversion of the same amount from the share premium account. The issued share capital of the Company was therefore fixed at €12,520,006 divided into 50,236,024 shares (including the 2,500,000 of shares shown above as treasury shares). The authorised share capital of the Company was set at 150,240,072 shares.

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At the EGM held on 15 December, 2010, the shareholders voted to amend the classes of shares of the company to create a single class as provided in the share purchase agreement of 10 September 2009. Shareholders rights have not been modified and the total number of shares remains the same. All shares of the company are now ordinary shares.

On 17 December, 2010 the Company's shares were admitted to trading on the Regulated Market (Prime Standard) of the Frankfurt stock exchange (FWB) under the ticker symbol 3W9. This was in addition to the Company's listing on the Euronext market, Amsterdam (ticker 3WP). Warrants in the Company are listed on the Euronext (ticker 3WPW).

14. Capital and reserves (continued)

Share capital (continued)

In thousands of euro	*Share Capital*
1 January, 2010	**-**
Conversion of share premium into share capital 50,236,024 ordinary public shares	12,520
31 December, 2010	**12,520**

In thousands of euro	*Share premium*
1 January, 2009	**212,448**
Redemption of 2,916,420 ordinary public shares	(29,399)
Issue of 25,500 ordinary public shares	216
Issue of 1,250,000 class A shares	12,188
Issue of 1,250,000 class B shares	12,187
Issue of 9,604,465 class A shares	93,644
Issue of 9,604,466 class B shares	93,644
31 December, 2009	**394,928**
1 January, 2010	**394,928**
Conversion of share premium into share capital	(12,520)
Issue of 168,013 shares in relation to exercised warrants	1,428
31 December, 2010	**383,836**

In thousands of euro	*Treasury shares*
1 January, 2009	**-**
2,500,000 ordinary shares	(24,375)
1 1 January, 2010	**(24,375)**
Transfer of 250,000 founder shares to the Company	(2,150)
150,000 shares issued to executives on termination	1,290
31 December, 2010	**(25,235)**

The reserve for the Company's own shares comprises the cost of the Company's shares held by or on behalf of the Company. At 31 December, 2010 the Company held 2,600,005 (2009: 2,500,000) of its own shares with an aggregate cost of €25,235 thousands (2009:€24,375 thousands).
No dividends were declared or paid by the Company in 2010 and 2009.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

15. Financial instruments

Categories of financial assets and financial liabilities
At the end of the reporting period the Company has the following financial assets and liabilities:

In thousands of euro	2010	2009
Cash and cash equivalents	83,876	599
Loans and receivables	10,055	1,152
Total Financial assets	**93,931**	**1,751**
Financial liabilities measured at amortized costs		
Trade and other payables	454	822
Borrowings	895	7,159
Notes payable	96,794	-
Total financial liabilities measured at amortized cost	**98,143**	**7,981**
Financial liabilities at fair value through statement of income		
Warrants	6,161	30,975
Total financial liabilities at fair value through statement of income	**6,161**	**30,975**
Total financial liabilities	**104,304**	**38,956**

16. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.
The Company has related party relationships with its subsidiaries. Related party relationships also exist with Board members and managers who have an interest in the equity of the Company or who receive remuneration from the Company and the Group.

Board remuneration and share-based payments
The remuneration of Board members and other senior managers is disclosed in note 32 (Related Parties) of the consolidated financial statements

Related party interests in the equity of the Company
The interests of Directors and related parties in the shares and warrants of the Company at 31 December, 2010 were as follows:

	Shares						**Warrants**
No. of shares/warrants	Mr B. Brock, Mr R. Huljak and Brock Trust	Ripplewood	AEG PS manag't	Dr. H. J. Kayser	Founders	Total	Founders
Issued shares/warrants	2,637,4271	15,189,060	377,097	2,500	5,698,518	23,904,602	6,500,000
Escrow shares – earn out[2]	323,733	1,976,823	49,502	-	-	2,350,058	-
Total	**2,961,160**	**17,165,883**	**426,599**	**2,500**	**5,698,518**	**26,254,660**	**6,500,000**

1 The shares under Brock and Brock Trust include 150,000 shares awarded to Messrs Brock and Huljak under the transition arrangements referred to in the section on Board remuneration above.
2 The earn-out shares were held in escrow at 31 December, 2010 and 31 December, 2009 and had not been distributed to the sellers. The number of shares shown under each seller in the table above is based on the number of shares that would have been allocated had the shares been distributed at 31 December, 2010 pro rata to the existing shareholding of each seller. The total number of shares held in escrow for earn out is 2,500,000. The difference between these and the number shown in the table above relates to shares attributable to former AEG PS shareholders other than Ripplewood, Brock and AEG PS management.

Founders refer to Prof. Dr. h.c. Berger and Dr. h.c. Middelhoff who are also Directors of the Company. Prof. Berger is the beneficial owner of 4.104,667 shares and 4,000,000 warrants while Dr. Middelhoff holds 1,593,851 shares and 2,500,000 warrants.

Ripplewood is the former majority owner of AEG PS and refers to Ripplewood Power Systems I L.L.C. and Ripplewood Power Systems II L.L.C., US Limited Liability Companies (LLCs) of which Mr Collins is the controlling shareholder.
Brock Trust refers to a US LLC controlled by Mr Brock and in which Mr Huljak has a minority holding. Included in the 2,637,427 shares under Brock and Brock Trust are shares held directly by Messrs Brock (1,134,014 shares) and Huljak (200,240 shares). These include the shares awarded to them under the transition arrangements referred to earlier.
AEG PS management refers to current members of the AEG PS management other than Directors.
Mr K Corbin, Mr L Fischer and Prof M Wössner did not have any interest in the shares or warrants of the Company at either year end.

16. Related parties (continued)

Related party interests in the equity of the Company (continued)

2,500,000 shares are held in escrow on behalf of the former owners of AEG PS (the Sellers). These relate to earn-out shares that will be distributed to the former AEG PS shareholders subject to the achievement of certain adjusted EBITDA targets with respect to fiscal years 2009, 2010 and 2011. The number of earn-out shares attributable to the Sellers who are considered as related parties and disclosed above is 2,350,058. Under the terms of the earn-out, the Company or any of its subsidiaries may not undergo a change of control during the earn-out period without, either (a) prior written consent from Ripplewood or (b) the Company first paying all outstanding amounts of the earn-out that could become due and payable.
A further 500,000 shares were previously held in escrow pending the determination of a tax audit of AEG Power Solutions GmbH, the Company's subsidiary in Germany. The audit was completed in 2010 and the shares were distributed to the former shareholders of AEG PS in October 2010. A total of 499,995 shares were distributed to the former owners of AEG with 5 shares returned to the Company and treated as Treasury shares.

Other transactions with related parties

During the year, the Group received consulting services from Roland Berger Strategy Consultants (RBSC), a firm in which Prof. Berger has a minority interest but holds no executive position. The value of the services was €1.7 million. Prof. Berger had no influence over the selection of RBSC or the scope of the services or the price of the work.

17. Financial risks

The carrying amount of financial assets represents the maximum credit exposure. The main credit risk is the €10.0 million loan receivable from AEG Power Solutions B.V.
All principal balance sheet amounts (including cash balances, obligations under the Notes payable and the warrants) are denominated in euro and therefore there is no significant currency risk.
The carrying value of the obligation under the warrants changes as the market value of the warrants varies. However this obligation is non-cash and does not lead to a use of cash resources.
An impairment risk exists in respect of the carrying amount of shares in affiliated undertakings. At December 31, 2010 the shares are stated at acquisition price and no impairment has been identified. Should there be objective evidence that one or more events has a negative effect on the estimated future cash flows from the shares then an impairment test will be carried out in addition to the yearly impairment test.
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Existing cash resources and sufficient access to capital markets ensure that the Company is able to finance its activities. At December 31, 2010 the Company's cash balances amounted to €83,876 thousands while its obligations due within one year were €1,349 thousands (excluding warrants which are non-cash).

18. Subsequent events

There were no reportable subsequent events.

KPMG

To the Shareholders of
3W Power Holdings S.A.
19, rue Eugène Ruppert
L-2453 Luxembourg

Report of the Réviseur d'entreprises agréé

Report on the financial statements
Following our appointment by the General Meeting of the Shareholders dated 7 May, 2010, we have audited the accompanying separate financial statements of 3W Power Holdings S.A., which comprise the statement of financial position as at 31 December, 2010 and the separate statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 102 to 116.

Board of Directors' responsibility for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the separate financial statements as set out on page 102 to 116 give a true and fair view of the unconsolidated financial position of 3W Power Holdings S.A. as of 31 December, 2010, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The Directors Report, which is the responsibility of the Board of Directors, is consistent with the seperate financial statements.

Luxembourg, 30 March 2011_ _ _ _ _ _ _ _ _ _ _

KPMG Audit S.à r.l.

Cabinet de révision agréé

Ph. Meyer

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L-2520 Luxembourg

Cabinet de révision agréé
R.C.S. Luxembourg B 103 590
Capital social EUR 25.000
TVA LU LU20379877

Consolidated Pro Forma Income Statement for the Year ended 31 December 2009

In thousands of euro	The company 2009 FS (audited)	AEG PS Jan 1- Sept 11, 2009 (i) (unaudited)	Proforma adjustments amotization 2009(ii) (unaudited)	Proforma adjustments interest 2009 (iii) (unaudited)	December 2009 Proforma unaudited)
Revenue	110,488	296,783	-	-	407,271
Cost of sales	(82,977)	(179,791)	-	-	(262,769)
Gross profit	**27,511**	**116,992**	**-**	**-**	**144,502**
Selling, general and administrative expenses	(20,861)	(40,211)	(242)	-	(61,314)
Research and development expenses	(5,352)	(6,996)	(5,140)	-	(17,488)
Other (expenses) / income	(19,451)	(5,651)	(16,933)	-	(42,035)
(Loss) / Profit from operating activities	**(18,153)**	**64,134**	**(22,315)**	**-**	**23,665**
Net finance (expense) / income	(12,048)	(1,640)	-	(3,838)	(17,526)
Profit / (loss) before income tax	**(30,201)**	**62,494**	**(22,315)**	**(3,838)**	**6,139**
Income tax benefit / (expense)	2,782	(24,178)	6,475	-	(14,921)
Profit / (loss) from continuing operations	**(27,419)**	**38,315**	**(15,840)**	**(3,838)**	**(8,782)**
(loss) / from discontinued operation	-	-	-	-	-
Profit / (loss) for the year	**(27,419)**	**38,315**	**(15,840)**	**(3,838)**	**(8,782)**

The unaudited consolidated Pro forma statement of income of 3W Power Holdings S.A. (the "Company") for the year ended 31 December 2009 (the "Pro Forma Financial Information") has been prepared for illustrative purposes only. The Pro Forma Financial Information presents the Company's results for the year ended 31 December 2009 under the assumption that the indirect acquisition of all shares in AEG Power Solutions B.V. by the Company that actually occurred on 10 September 2009 had already occurred as at 1 January 2009. The Pro Forma Financial Information shows adjustments to the audited consolidated financial information of the Company for the year ended 31 December 2009 to: (i) include the impact of the consolidated income of AEG Power Solutions B.V. for the period from 1 January 2009 to 10 September 2010; (ii) include the impact of amortization expenses as a result of the increase in goodwill and other intangible assets as a result of purchase price adjustments for the entire year 2009; (iii) include the adjustment for interest income of the consolidated income of the Company for the year ended 31 December 2009 that would not have accrued had the cash component of the purchase price for the indirect acquisition of all shares in AEG Power Solutions B.V. already been made as at 1 January 2009.

Due to its nature, the Pro forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual results. The Pro Forma Financial Information was prepared using the Company's accounting policies. It is based on information that was prepared in accordance with IFRS as adopted by the EU and has been prepared and based on the Company's audited financial statements for the year ended 31 December 2009, adjusted as described in the Notes to the Pro Forma Financial Information.

The Pro forma Financial Information should be read in conjunction with the notes, as well as with the Company's audited financial statements as at and for the year ended 31 December 2009 and the related notes.

Consolidated Pro Forma reconciliation for the Year ended 31 December 2010

Reconciliation from reported EBIT to adjusted EBIT

In millions of euro	EBIT
Reported	**(126.6)**
Adjustments	
Regular amortization of intangibles on acquisition	33.0
Impairment and accelerated amortization of intangibles	46.6
Goodwill impairment	14.6
Working capital provisions	12.9
Restructuring costs	18.8
Professional, consultancy and other costs	5.8
One time income	(5.6)
Total adjustments	**126.1**
Adjusted	**(0.5)**

Derivation of adjusted EBIT/EBITDA/normalized EBITDA

In millions of euro	Reported	Adjusted /Normalized
EBIT	**(126.6)**	**(0.5)**
Depreciation and amortization charges		
Regular amortization of intangibles on acquisition	33.0	-
Impairment and accelerated amortization of intangibles	46.6	-
Goodwill impairment	14.6	-
Other	1.8	1.8
Depreciation charge on tangible assets	3.9	3.9
Amortization charge on intangible assets	2.8	2.8
Total depreciation and amortization charges	**102.8**	**8.6**
EBITDA	**(23.9)**	**8.0**